The Currency Exchange Fund N.V.

Year ended 31 December 2008

ANNUAL REPORT

TCX the currency exchange fund

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TCX 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

Board of Directors

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

Investment Management Company

TCX Investment Management Company B.V.
Sarphatikade 13
1017 WV Amsterdam
The Netherlands

Risk Manager

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

Accounts Bank

Citigroup
Schiphol Boulevard 257
WTC Building, Tower D, Floor 8
1118 BH Airport Schiphol
The Netherlands

Registered Office

Locatellikade 1
1076 AZ Amsterdam
The Netherlands

Administrator

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

Back Office Service Provider

Zanders & Partners B.V.
Brinklaan 134
1404 GV Bussum
The Netherlands

Compliance Officer

Compliance Advies
Mr. A. van der Heiden RA
Rotondeweg 22
1261 BG Blaricum
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 LLP
Wassenaarseweg 80
2596 CZ Den Haag
The Netherlands

Profile

The Currency Exchange Fund N.V. ("TCX" or "the Fund") was launched 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 and borrowers in these markets utilize TCX as a facilitator in the mitigation of the currency and interest rate mismatches.

TCX exclusively invests in markets related to 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 long-term financial investments as described above (the Primary Investments) currently consist of currency swaps in certain target currencies. TCX complements the diversification of its Primary Investment portfolio with shorter-term swaps entered into with certain globally operating banks (the Trading Investments). Finally, TCX manages the proceeds of its share capital issuance and loans drawn down in its Liquidity Portfolio by way of liquid USD money market instruments.

TCX is rated AA- by Standard and Poor's.

TCX was created by a group of like-minded investors to address 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 imperfection.

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 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. Up to September 2010, TCX will transact almost exclusively with its investors and counterparties designated by its 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 year ended 31 December, 2008 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 76,949 (2007: a decrease of USD 3,684) equals to a decrease of 15.5% during the year (2007: a decrease of 0.7%). The net asset value per share Class A for all series at the end of the reporting period is as follows:

	31 December, 2008	31 December, 2007
Intrinsic value[1] per share Class A (in USD)	448,909	496,316
Net asset value per share Class A (in USD)	419,367	496,316

Developments during the year

The report of the Investment Manager has been included in this annual report and elaborates on the operational and investment activities during the year.

Internal control over financial reporting

The Board of Directors of The Currency Exchange Fund N.V. (TCX) confirms that it is responsible for the risk management, internal control, integrity and compliance systems of TCX and its activities. It has outsourced a substantial part of the management- and operational activities to third parties through various agreements entered into at TCX's establishment on 5 September, 2007. The third parties providing such services (each, a Service Provider) are:

- TCX Investment Management Company BV, TCX's Investment Manager (which in turn has outsourced administrative and back office services to TMF Nederland BV and Zanders and Partners, respectively)
- Cardano Risk Management BV, TCX's Risk Manager
- Compliance Advies Financiele Ondernemingen, TCX's Compliance Officer

The Board of Directors confirms that TCX and its Service Providers operate in accordance with the Operational Guidelines (as adopted on 5 September, 2007 and amended on 1 July, 2008). The scope of involvement of the Board of Directors in the operational management of TCX as described in the Operational Guidelines is limited.

The Board of Directors confirms for its own account, and has received from each Service Provider a confirmation for their account, that:

- it is not aware of any material breach in the risk management and internal control systems as they relate to the activities that it performs under the relevant TCX services agreement and the relevant procedures as described in the Operational Guidelines of TCX (as adopted on 5 September, 2007 and amended on 1 July, 2008);
- it is not aware of any indications that the risk management and internal control systems as they relate to the activities that it performs under the relevant TCX services agreement have not worked effectively over the financial year ending 31 December 2008, and that there are no indications that they will not continue to do so in the coming year.
- it is not aware of any material misstatements in TCX's financial statements for the financial year ending 31 December 2008.
- It supports and has endorsed the Code of Conduct TCX (as adopted on September 5, 2007 and amended on July 1, 2008) and confirms that it has no indication of any breach of this Code of Conduct over the financial year ending 31 December, 2008.

[1] The net asset value as reported under IFRS differs from the net asset value for subscription and redemption purposes. See note 19 for further detail.

The Fund's management has put great emphasis on achieving operational excellence from the very start of operations. In this effort, our efforts were greatly supported by the outstanding dedicated staff of our operational partners TCX Investment Management Company, their Back Office Services Provider Zanders & Partners, Cardano Risk Management and Compliance Advies.

20 April, 2009

Board of Directors
TMF Management BV

Report of the Supervisory Board

Composition of the Supervisory Board
The Supervisory Board is composed of Mr. C. Maas (Chairman), Mr. P.B. 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 and the code of conduct established by the Supervisory Board in line with the rules and regulations of the Dutch corporate governance code.

Pricing committee
The Pricing Committee considers for approval local currency benchmarks to be used for floating rate transactions and pricing proposals for all Primary Investments proposed by the Investment Management Company. The Supervisory Board has re-appointed Mr. F. Engels, Mr. A. Fonseca Junior, Mr. R.M. Pott (replaced in 2009 by Mr. M.Gundersen), and Mr. M. Vogel as members of the Pricing Committee.

Asset and Liability Management Committee
The Asset and Liability Management Committee approves the Fund's monthly reports and advises 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.

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.

Compliance Committee
The Compliance Committee considers for approval all quarterly compliance reports provided by the Compliance Officer and any other matter brought to its attention by the Compliance Officer. It consists of all members of the Supervisory Board, the senior management of TCX Investment Management Company BV and the Compliance Officer.

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

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

In the case of Mr C. Maas, the above hold true except for item 4: Mr C.Maas is a member of the supervisory board of FMO, a 15% shareholder in TCX.

Meetings of the Supervisory Board
In 2008, the Supervisory Board met on April 1, June 2, September 9, October 23 (teleconference), November 18, and December 15 (teleconference). Each member attended all meetings (save one member, who missed one session).

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

Mr. C. Maas (Chairman)	EUR 29,750	(including VAT)
Mr. P.B. Baloyi	EUR 20,000	
Mr. F.R.V. Czichowski	EUR 20,000	
Mr. T.F. Johansen	EUR 20,000	
Mr. A. van Nederveen	EUR 20,000	

All members of the Pricing Committee receive an annual remuneration of EUR 20,000 as of the year 2008.

Evaluation
The Supervisory Board intends to schedule a first evaluation and self-assessment in 2009 in order to judge the Supervisory Board's activities and performance, as well as that of its members, since its inception.

Financial statements
This annual report and the 2008 financial statements, audited by Ernst & Young Accountants LLP as Independent Auditor, were presented to the Supervisory Board in the presence of the Board of Directors and the Independent Auditor. The Independent Auditor's report can be found on page 42.

The Supervisory Board recommends that the general meeting of shareholders adopts the 2008 financial statements of TCX. The annual general meeting of shareholders will be asked to release the members of the Board of Directors 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 41.

The Supervisory Board wishes to thank the Board of Directors for their contributions in 2008.

20 April, 2009

Supervisory Board

Report of the Investment Manager

2008: the Fund's first year of operation
2008 was the first operational year for TCX and its Investment Manager, TCX Investment Company BV. The first derivative investment occurred in January 2008, a EUR 380,000 7-year cross currency swap to hedge the XOF exposure of a shareholder lending in local currency for a Senegalese SME.

The first year was an operational success for TCX. The operational model with 5 entities managing the core business of the Fund (TMF, TCX IMC, Cardano Risk Management, Compliance Advies and Zanders & Partners) has proved solid and efficient. Commercially, the Fund made a very successful start with a number of its shareholders and exceeded expectations in terms of volumes realized in its first year with a Primary Investment portfolio of USD 308m (nominal) spread over 18 DAC currencies. The Fund's commercial viability and its ability to deliver on the core developmental mandate was conclusively proven.

The impact of the financial crisis on TCX
In the first year of operations, TCX faced the most severe market conditions in recent history. Amidst a major liquidity crisis in developed markets, the spectacular failure of Lehman Brothers ignited a sharp sell-off of emerging market currencies. International investors liquidated financial assets in emerging markets into US dollar for safe-haven purposes and to support their core activities, whilst emerging market USD borrowers rushed to redeem their hard currency liabilities in expectation of future turbulence. The simultaneous slump in certain commodity prices compounded the downward trend in commodity-producing emerging market countries. As a consequence, the October 2008 loss was equivalent to the ten-year worst month included in the forecast in TCX's Information Memorandum, with the Fund ending the year with a 15.5% reduction in per-share NAV and a 10.3% reduction in per-share Intrinsic Value.

The currency crisis did, however, confirm the Fund's fundamental business concept and development purpose. The sharp depreciation of emerging market currencies left many emerging market hard currency borrowers exposed to mushrooming debt on their local currency balance sheet and incurring major losses. The rapid drying up of international capital flows to emerging markets in the wake of the crisis has made the development of local capital markets and the mobilization of local currency lending an increased development and stabilization priority. The need for reliable tools in order to achieve these objectives, such as the hedging investments offered by TCX, has become more urgent than ever.

The crisis has also stress-tested the Fund's diversification model. Individual currency volatility increased strongly but the continued portfolio diversification effect left the TCX portfolio relatively stable. The At no time did the Fund exceed its agreed capitalization or concentration limits. The confirmation of the Fund's business rationale in the face of a true worst-case scenario will, in the longer run, assist the Fund's further establishment as a valuable innovation in the market.

The TCX risk model in practice
TCX's business model successfully mitigates individual currency risks through the portfolio effect but retains the exposure to market movements between the USD on the one hand and the portfolio of 30 emerging market currencies on the other. TCX is directly exposed to USD appreciations against this portfolio, and gains in case of USD devaluations. Whilst the TCX model has shown this mismatch to result in a gain over a long period of time, it has equally signaled the expectation of periodical losses in the short term. TCX's capital has been sized primarily to address the expected worst case of this particular mismatch. Again, the recent crisis and the resulting loss in TCX's portfolio has reconfirmed the suitability of TCX's capitalization framework. TCX remains far from the agreed stop loss capital triggers.

Commercial operations
TCX started concluded its first active year with a USD 308m portfolio of Primary Investments spread over 34 investments in 18 different currencies, strongly outperforming growth expectations for the first

year. Complementing the primary portfolio, TCX successfully executed Trading Investments with selected globally active banks to diversify the Fund's exposure and to remain within agreed single currency and regional concentration limits at all times. The Fund has successfully established trading relationships with a sizeable part of its shareholders and a number of globally operating banks. Standard and Poor's rated the Fund AA- in November 2009, highlighting the Fund's strong shareholder base. TCX will continue to place the highest priority in prudent risk management, and controls.

In order to ensure seamless operations with its Primary Investment counterparts, IMC has organized a number of workshops that were attended by a large number of staff from shareholder and potential shareholder institutions. We will continue this activity in support of our investors in 2009.

Expanded investor base

TCX's shareholder base was expanded considerably in 2008, with the addition of new investors such as Agence Francaise de Développement, African Development Bank (via TCX Investment Company Mauritius Limited), European Fund for South-east Europe, OPEC Fund for International Development and Proparco and the signing of the subordinated loan agreement with Inter-American Development Bank. We are in continuing discussions with a number of other large internationally recognized institutions that are eager to invest and participate in TCX. This wider base will create additional deal flow and diversification opportunities for the Fund.

Outlook 2009

We entered into 2009 actively working on further improving TCX's offering. We expect to make substantial progress in 2009 with the developments described in TCX's Information Memorandum, such as the provision of deliverable swaps as well as a concluding a pilot scheme for a model-based pricing tool to apply in situations of thin or non-existent markets.

20 April, 2009

TCX Investment Management Company BV

TCX Shareholders and Subordinated Convertible Lender

(as at 31-12-2008)

Name Shareholder	# Shares[1]	%
ABN AMRO Bank N.V.	50	6.07%
AfDB - African Development Bank	49	5.95%
AFD – Agence Francaise de Developpement	80	9.71%
BIO – Belgian Investment Company for Developing Countries SA/NV	20	2.43%
COFIDES – Compania Espanola de Financiacion del Desarrollo S.A.	10	1.21%
DBSA – Development Bank of Southern Africa Ltd.	80	9.71%
DEG – Deutsche Investitions- und Entwicklungsgesellschaft	60	7.28%
EBRD – European Bank for Reconstruction and Development	140	16.99%
EFSE - European Fund for Southeast Europe	10	1.21%
FMO – Nederlandse Financieringsmaatschappij voor Ontwikkelingslanden N.V.	140	16.99%
IfU – Industrialiseringsfonden for Udviklingslandene	20	2.43%
KfW – Kreditanstalt für Wiederafbau	80	9.71%
NORFUND – Norwegian Investment Fund for Developing Countries	20	2.43%
OFID - OPEC Fund for International Development	40	4.85%
OIKOCREDIT – Ecumenical Development Cooperative Society U.A.	10	1.21%
OIKOCREDIT – on behalf of ASN Fund and Oxfam/Novib Fund	5	0.61%
PROPARCO – Promotion et Partipication pour la Cooperation Economique	10	1.21%
Total	**824**	**100.00%**

ABN AMRO, The Netherlands (www.abnamro.com)
ABN AMRO is a universal bank owned by RBS, Santander and the Dutch government. As at 31 December 2008, its total assets stood at € 667 billion.

AfDB, African Development Bank, Tunisia (www.afdb.org)
The AfDB is a multilateral development bank whose shareholders include 53 African countries and 24 non-African countries from the Americas, Asia, and Europe. The Bank Group's primary objective is to promote sustainable economic growth in order to reduce poverty in Africa. It achieves this objective by financing a broad range of development projects and programs through public and private sector loans and capital investments, equity investments, technical assistance for institutional support projects and programs. The Bank prioritizes national and multinational projects and programs that promote regional economic cooperation and integration.
AfDB invests in TCX through TCX Investment Company Mauritius Limited.

AFD, Agence Française de Développement, France (www.afd.fr)
The French Development Agency is a financial institution that is at the heart of France's Development Assistance Policy. AFD supports public authorities, the private sector and local associate networks in implementing a wide range of social and economic projects. AFD is involved in Africa, Asia, the Mediterranean Basin, the Middle East, South America and Overseas France, thanks to its network of agencies and subsidiaries. AFD's aim to stimulate economic growth while preserving the environment falls directly within the framework of the Millennium Development Goals (MDGs).

[1] All shareholders hold A Shares

BIO, Belgian Investment Company for Developing Countries, Belgium (www.bio-invest.be)
BIO is a Development Finance Institution established in 2001 as a public-private partnership. BIO's mission is to promote and support the private sector in developing and emerging countries through direct and indirect investments. They do this by providing long-term financing to private enterprises and financial institutions, in order to achieve sustainable economic and social prosperity and alleviate poverty. BIO acts as an additional partner to the local financial institutions, and looks for projects with a proven balance between financial return and development impact. BIO is a member of EDFI (European Development Finance Institutions).

Cofides, Compañía Española de Financiación del Desarrollo, Spain (www.cofides.es)
Founded in 1988 and operating since 1990, COFIDES is a state- and private-owned company that provides cost-effective financial support for viable private direct investment projects in developing and emerging countries where there is a Spanish interest. The company's present financing capacity comes to nearly 970 million euros, enabling it to invest up to 25 million euros per project, in principle. COFIDES, in the 18 years it has been in business has approved 444 investment projects in 60 countries, for a total commitment of over one billion Euro.

DBSA, Development Bank of Southern Africa, South Africa (www.dbsa.org)
The Development Bank of Southern Africa is a leading development finance institution in Africa, south of the Sahara, playing the roles of Financier, Advisor, Partner, Implementer and Integrator. The Bank maximises its contribution to sustainable development by mobilising finance, knowledge and human capital to support private, public sector and other development role-players in improving the quality of life and competitiveness of the region. It does this through funding infrastructure and economic growth projects, accelerating the sustainable reduction of poverty and dependency; and promoting broad based growth and regional economic integration.

DEG, Deutsche Investitions- und Entwicklungsgesellschaft mbH, Germany (www.deginvest.de)
DEG, member of KfW Bankengruppe, is one of the largest European development finance institutions. For more than 40 years, DEG has been financing and structuring the investments of private companies in developing and emerging market countries. DEG invests in profitable projects that contribute to sustainable development in all sectors of the economy. So far, DEG has worked together with more than 1,300 companies.

EBRD, European Bank for Reconstruction and Development, UK (www.ebrd.com)
The EBRD uses the tools of investment to help build market economies and democracies in countries from central Europe to central Asia. It is the largest single investor in the region and mobilises significant foreign direct investment beyond its own financing. It is owned by 61 countries and two intergovernmental institutions. The EBRD invests mainly in private enterprises, usually together with commercial partners. It provides project financing for banks, industries and businesses, both new ventures and investments in existing companies. It also works with publicly owned companies to support privatisation, restructuring state-owned firms and improvement of municipal services. The EBRD uses its close relationship with governments in the region to promote policies that will bolster the business environment.

EFSE, European Fund for South-East Europe, Luxemburg (www.efse.lu)
EFSE is a leading microfinance fund targeted at fostering economic development and prosperity in Southeast Europe. To this end, it provides long-term financial instruments to qualified partner lending institutions, including microfinance institutions,

commercial banks and other non-bank financial institutions, enabling them to offer microloans to micro and small enterprises, as well as housing loans to low-income households.EFSE was founded by KfW on the initiative of various donors, such as the Federal Ministry for Economic Co-operation and Development (BMZ) and the European Commission. Complementing the Fund’s financial assistance, the EFSE Development Facility organises and co-finances technical assistance and training for capacity building in partner lending institutions, with the aim of increasing the development impact of the Fund's investments.

FMO, The Netherlands Development Finance Company, The Netherlands (www.fmo.nl)
The Netherlands Development Finance Company (FMO) is the international development bank of the Netherlands. FMO invests risk capital in companies and financial institutions in developing countries. With an investment portfolio of € 4.2 billion, FMO is one of the largest bilateral private sector development banks worldwide. Thanks in part to its relationship with the Dutch government, FMO is able to take risks which commercial financiers are not - or not yet - prepared to take. FMO's mission: to create flourishing enterprises, which can serve as engines of sustainable growth in their countries.

IFU, Industrialisation Fund for Developing Countries, Denmark (www.ifu.dk)
IFU's legal mandate is to promote economic activity in developing countries by promoting investments in these countries in cooperation with Danish enterprises. IFU is part of a range of official Danish activities with the overall purpose of promoting economic and social progress in developing countries.

KfW Entwicklungsbank (KfW development bank), Germany (www.kfw.de)
KfW Entwicklungsbank is a competent and strategic advisor on current development issues. Reducing poverty, securing peace, protecting natural resources and helping to shape globalization are the main priorities of KfW Entwicklungsbank. On behalf of the German Federal Government, it finances reforms, infrastructure and financial systems for socially and ecologically compatible economic growth. As part of KFW Bankengruppe, it is a worldwide financing partner; it also employs funds of its own for development projects. KfW Entwicklungsbank knows about the potentials and problems in developing countries thanks to its close cooperation with local partners and target groups.

Norfund, Norwegian Investment Fund for Developing Countries, Norway (www.norfund.no)
Norfund is owned by the Norwegian Government and serves as an instrument in Norwegian development policy. Norfund contributes to poverty reduction and economic development in the poorest countries through investments in profitable businesses and transfer of knowledge and technology. The institution always invests with Norwegian or international partners. Norfund is Norway's biggest investor in microfinance through the Norwegian Microfinance Initiative (NMI), is a prominent investor in small and medium sized businesses through regional funds and direct investments, and is a partner in renewable energy projects through its stake in hydropower company SN Power. Norfund's geographical focus is on Africa south of the Sahara, where it has two regional offices. In addition, Norfund invests in selected countries in Asia and Latin America, with a regional office in Costa Rica. Norfund has 40 employees world-wide and NOK 4.8 billion in committed investments in 2008.

OFID, OPEC Fund for International Development, Austria (www.opecfund.org)
OFID is a development finance institution created to foster social and economic progress in the developing world through the provision of concessional financing for developing countries. Beyond it, one of its central aims has always been to advance ‘South-South’ solidarity, by promoting cooperation in many spheres among countries of the developing world. OFID was created at the First OPEC (Organization of the Petroleum Exporting Countries) Heads of State Summit in Algeria in 1975, as a new

multilateral financial facility to channel OPEC aid to developing countries. The member countries of OFID are Algeria, Gabon, Indonesia, Islamic Republic of Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, United Arab Emirates, Venezuela.

OikoCredit, The Netherlands (www.oikocredit.org)
Oikocredit is an international co-operative financial institution that offers loans or investment capital for microfinance institutions, co-operatives and small- and medium-sized enterprises in developing countries. Oikocredit operates with risk capital from individuals and private organizations that invest in Oikocredit shares. Direct members of the cooperative are churches, church-affiliated organizations, project members and Oikocredit support associations; individuals invest through support associations. Oikocredit pays its shareholders a modest yearly dividend.

Proparco, Société de Promotion et de Participation pour la Coopération Economique, France (www.proparco.fr)
Proparco, created in 1977, is the member of the AFD group tasked with investments in the private sector in emerging countries. Proparco has 60% of its exposures invested in Africa. Furthermore, it is the French representative in the European Development Finance Institutions cooperation.

Dutch Ministry of Foreign Affairs, The Netherlands (www.minbuza.nl)
The Ministry of Foreign Affairs coordinates and carries out Dutch foreign policy, including European cooperation and International development, at its headquarters in The Hague and through its missions abroad. The Minister for Development Cooperation, Bert Koenders, is fully committed to the Millennium Development Goals (MDGs) and strives to improve the quality and effectiveness of the Dutch contribution. To this end, the Minister promotes partnerships with civil society organizations, enterprises and knowledge institutes in rich and poor countries alike.
The Dutch ministry is the sole provider of the Subordinated Convertible Loan.

Financial statements

Balance sheet

(As at 31 December)

(all amounts in USD)	Notes	2008	2007
Assets			
Cash and cash equivalents	5	25,679,651	135,476,685
Financial assets at fair value through profit or loss	6	391,894,626	199,962,427
Cash collateral given	7	31,891,660	-
Other receivables	8	2,327,870	842,814
Total assets		**451,793,807**	**336,281,926**
Liabilities			
Financial liabilities at fair value through profit or loss	11	68,830,402	-
Accrued expenses and other payables	12	1,240,776	5,522,573
Subordinated convertible debt	13	36,163,873	17,991,307
Total liabilities (excluding class A shares)		**106,235,051**	**23,513,880**
Net assets attributable to holders of redeemable shares Class A	14, 15	**345,558,756**	**312,768,046**
Total liabilities		**451,793,807**	**336,281,926**

The accompanying notes are an integral part of these financial statements

TCX the currency exchange fund

Income statement

(all amounts in USD)	Notes	1 January 2008 through 31 December, 2008	5 July, 2007 through 31 December, 2007
Investment result			
Result on financial instruments at fair value through profit or loss	16	(66,634,448)	2,001,875
Interest income	17	11,331,870	714,661
		(55,302,578)	2,716,536
Other results			
Deposits into JoDEA	13	(545,177)	(539,739)
Foreign currency translation	20	(1,931,083)	387,190
		(2,476,260)	(152,549)
Operational expenses			
Administration fee	9	(181,435)	(230,304)
Management fee	9	(3,922,731)	(824,419)
Risk management fee	10	(1,312,742)	(437,951)
Audit fee	10	(186,219)	(243,520)
Governance expenses	9	(310,458)	(44,163)
Other general expenses	18	(1,294,601)	(4,021,197)
		(7,208,186)	(5,801,554)
Change in net assets resulting from operations attributable to holders of redeemable shares Class A		**(64,987,024)**	**(3,237,567)**

The accompanying notes are an integral part of these financial statements

TCX the currency exchange fund

Statement of cash flows

(all amounts in USD)	Notes	1 January 2008 through 31 December, 2008	5 July, 2007 through 31 December, 2007
Cash flow from operating activities			
Net payments for level 2 financial instruments at fair value through profit or loss		(6,982,939)	-
Net payments for level 1 financial instruments at fair value through profit or loss		(178,142,990)	(198,052,667)
Incorporation costs paid		(3,061,346)	-
Withholding tax paid		(85,553)	(25,795)
Reclaimed withholding tax received		25,795	-
Interest received		6,519,903	231,381
Risk management fee paid		(1,750,693)	-
Management fee paid		(4,452,209)	(294,941)
Administration fee paid		(261,256)	(97,815)
Audit fee paid		(245,476)	(91,288)
Governance expenses paid		(126,480)	(44,163)
Prepaid expenses		(325,415)	(333,739)
Cash collateral paid		(31,891,660)	-
Contributions to JodEA account		(1,057,216)	-
Other general expenses paid		(1,978,716)	(346,095)
Net cash flow generated from operating activities		(223,816,251)	(199,055,122)
Cash flow from financing activities			
Proceeds from subscriptions of shares Class A		97,777,734	316,005,613
Proceeds from Subordinated Convertible Debt		18,172,566	18,144,869
Net cash flow generated from financing activities		**115,950,300**	**334,150,482**
Net cash flow generated during the period		**(107,865,951)**	**135,095,360**
Cash and cash equivalents at beginning of the period		135,476,685	-
Foreign currency translation of cash positions		(1,931,083)	381,325
Cash and cash equivalents at end of period	5	**25,679,651**	**135,476,685**

The accompanying notes are an integral part of these financial statements

Statement of changes in net assets attributable to holders of redeemable shares Class A

Movements of the shares Class A are as follows.

(all amounts in USD)	Amounts		Number of shares	
	1 January, 2008 through 31 December, 2008	**5 July 2007, through 31 December, 2007**	**1 January, through 31 December, 2008**	**5 July 2007, through 31 December, 2007**
Net assets at beginning of year	312,768,046	-	630	-
Proceeds from shares issued	97,777,734	316,005,613	194	630
Redemption of shares	-	-	-	-
Net increase from share transactions	97,777,734	316,005,613	194	630
Change in net assets from operations	(64,987,024)	(3,237,567)		
Net assets at end of the year Class A	**345,558,756**	**312,768,046**	**824**	**630**

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. ("TCX" or "the Fund") is a public limited liability company incorporated and existing under the laws of the Netherlands. The Fund started operations in September 2007.

As at the issue date of this annual report the latest information memorandum in circulation is dated 5 September, 2007. The fund regularly issues updates to this information memorandum, the last having been released in December, 2008.

The Fund was created 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.

The financial statements were authorized for issue by the Board of Directors on 20 April, 2009.

2. Summary of significant accounting policies

Statement of compliance

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.

Basis of preparation

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.

The comparative figures in the financial statements of the Fund reflect the period since incorporation dated 5 July, 2007 until 31 December, 2007. As a result, the comparative figures are not entirely comparable with the current year.

The balance sheet presents the assets and liabilities in decreasing order of liquidity and does not distinguish between current and non-current items. The Fund's assets and liabilities are generally held for the purpose of being traded or are generally expected to be realized within one year.

The accounting policies have been consistently applied by the Fund and are consistent with those used in the previous year, except for changes in disclosures resulting from the adoption of the amendments to IAS 1 and IAS 32, effective January 1, 2008 as noted below.

Adoption of new standards and amendments to existing standards

On 14 February, 2008 the IASB issued and on 21 January, 2009 the EU has endorsed 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 annual periods beginning on or after 1 January, 2009. The objective of the IASB is 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 represent the residual interest in the net assets of the entity. The Fund has early adopted the Amendments effective 1 January, 2008.

The early adoption of the Amendments to IAS 1 and IAS 32 "Presentation of Financial Statements" regarding puttable financial instruments and obligations arising on liquidation" resulted in a reassessment of the accounting policy for what constitutes equity and liability and consequently in a reclassification of the presentation. Due to the fact that the Subordinated convertible debt is the most subordinated class of financial instruments, the Fund concluded that the puttable instruments did not meet all conditions as required by the Amendments in order to classify the puttable instruments as equity. As a result, all puttable instruments are presented as a liability. The comparative figures have been adjusted accordingly.

On 13 October, 2008 the IASB issued and on 16 October the EU has endorsed amendments to IAS 39 and IFRS 7: "Reclassification of Financial Assets Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures." (the "Reclassifications").

The Reclassifications permit an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in particular circumstances. The Reclassifications also permit an entity to transfer from the available-for-sale category to the loans and receivables category a financial asset that meets the definition of loans and receivables (if the financial asset had not been designated as available for sale) if the Fund has the intention and ability to hold that financial asset for the foreseeable future. The Reclassifications should be applied as per 1 July, 2008. The amendments do not impact the Fund's presentation of financial instruments.

New standards and amendments of existing standards which have not been early adopted
The IASB has issued and the EU has endorsed 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 January 1, 2009. The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes' to be presented separately from owner changes. All non-owner changes will need to be shown in a performance statement. The Fund has not early adopted IAS 1 (Revised). It is expected that it has no major impact on the Funds financial statements.

IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January, 2009), endorsed by the EU on 24 January, 2009. The amendment is part of the IASB's annual improvements project published in May 2008. The definition of a financial asset or a financial liability at fair value through profit or loss as it relates to items that are held for trading is amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed, together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio upon initial recognition. Furthermore there were some improvements made related to hedge accounting which are not relevant to the Fund. This is not expected to have an impact on the Fund's financial statements.

IAS 1 (Amendment), 'Presentation of financial statements' (effective from 1 January, 2009), endorsed by the EU on 24 January, 2009. The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that some, rather than all, financial assets and liabilities classified as held for trading in accordance with IAS 39, 'Financial instruments: Recognition and measurement' are examples of current assets and liabilities respectively. The Fund will apply the IAS 39 (Amendment) as of 1 January, 2009. This is not expected to have an impact on 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, whereby the total expected cash flows attributable to the instrument over the life of the instrument is not based substantially on the profit or loss, the change in the recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the entity over the life of the instrument. Other receivables, accrued expenses and other payables, cash collateral and cash and cash equivalents are classified as financial instruments at amortized cost.

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. Accrued expenses are recognized initially at fair value and subsequently stated at amortized cost using the effective interest method. The Subordinated convertible debt 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) and further referred to as Level 1 financial instruments. The Fund employs cross currency interest rate swaps (CCIRS) in its portfolio for three reasons:

- Primary Investments: transactions with investors or acceptable counterparties designated by investors;
- Trading Investments: transactions with investment banks, usually short-term, with the purpose of diversifying the Fund's overall currency exposure; and
- Hedging Investments: transactions with the purpose of hedging the Primary Investments.

Trading Investments and Hedging Investments are valued based on a valuation technique using inputs based on observable market data. In particular, the Fund uses market rates obtained from public sources, such as Bloomberg and Reuters, in the pricing of its derivative over-the-counter products. In order to classify such derivative instruments, the significance of the market observable data will classify these derivative financial instruments into "valuation techniques using inputs based on observable market data", further referred to as Level 2 investments.

Primary Investments are required to be additional, meaning that they are products offered by the Fund that are not offered on public markets, and, as a consequence, they are valued using a combination of observable and unobservable market data. As a consequence, these investments may be classified as "Valuation technique using inputs that are not market observable" (Level 3 investments) or Level 2 investments. The classification primary depends on the available market data.

When the financial instruments are valued based on Level 3 the following process is applicable, for instance in the situation where TCX offers products with maturities longer than those available on the market and where TCX offers products for which there are no markets at all. The Fund has instituted a Pricing Committee, which approves the pricing and valuation methodology of the Fund, based on a proposal of the Investment Manager and the Risk Manager. The Risk Manager is responsible for ensuring that the various pricing methodologies approved by the Pricing Committee are implemented correctly.

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 months 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 Funds Class A shares are redeemable at the shareholder's option and are classified as financial liabilities. These shares are recognized and measured by at the net asset value, being the net present value of the assets minus the net present value of the liabilities. Any distribution to holders of these shares is recognized in the income statement as finance costs.

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 result on financial instruments at fair value through profit or loss. For debt instruments, discount papers, cash collateral and interest received from the JoDEA account the interest revenue and expense are presented as interest income as a separate line item.

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 material 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. Material 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. There can be no assurance that actual results will not materially differ from those estimates. Accounting policies that are critical to the financial statement presentation and that require complex estimates or significant judgment are described below.

Valuation of financial instruments
As disclosed in Note 2, the fair value measurement of financial instruments may include valuation based on non-market observable inputs, for instance where the Fund offers products with maturities longer than those available on the market and where TCX offers products for which there are no markets at all. The valuation process of such investments is organized as follows.

The Investment Manager applies the commonly used, standard methodology (Discounted Cash Flow) for calculating the net present value of the Cross Currency Interest Rate Swaps (CCIRS). The procedure is as follows:

- Market data is gathered and processed in accordance with approved sources by the Funds back office;
- From the curve building algorithm, discount factors are derived for each leg of the CCIRS. When necessary, the back office valuation desk assisted the pricing process.
- For each leg, if the future cash flows are known (in the case of fixed-rate products) these future cash flows are discounted using the discount factors to arrive at the net present value of the leg.
- For each leg, if the future cash flows are unknown (in the case of floating-rate products) the back office calculates forward rates from the discount factors; then, using the forward rates, the back office calculates the expected cash flows. Expected cash flows are discounted using the discount factors to arrive at the net present value of the leg.
- The net present value of the non-USD leg (sometimes, non-EUR leg) is converted to USD (EUR, respectively) at the market observable spot rate.
- The fair value of the CCIRS to the Fund is obtained by subtracting the net present value of the paying leg from the receivable leg.

The resulting valuation is confronted with the valuation of the Risk Manager. The Risk Manager circulates a plausibility report to the Investment Manager on a regular basis.

4. Financial risk management

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 Share 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-emptively 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.

Investment policy

TCX does not displace existing appetite for investment in emerging markets but exclusively focuses on the mitigation of currency and local interest rate risks. The Fund does not invest in local projects itself but markets itself through its share capital 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 share capital contribution (and a maximum limit set at 600%) in the Fund's first 3 years of existence. These exclusive arrangements are gradually phased out after the first phase of 3 years, thereafter the Funds policy is to 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. TCX's stated focus on Sub-Sahara Africa ensuring 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 terms offered in the products are 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. The Funds policy is to 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. 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. Currently the credit rating for TCX is AA- as determined by Standard and Poor's. 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 is 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 puts 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.

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 the 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 is 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 is 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 are 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 are 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 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 is part of a regional currency book. This set up enables limit setting on both levels. A total net amount of USD 323,064,224 (2007: USD 199,962,427) is invested in financial instruments at fair value through profit or loss, representing 93.4% (2007: 63.9%) of the NAV as per 31 December, 2008. The financial instruments consist of the following groups of financial instruments at year end:

(all amounts in USD)	2008		2007	
	Carrying amount in USD	**% of NAV**	**Carrying amount in USD**	**% of NAV**
Cross currency swaps	(60,221,207)	(17.4)	-	-
Discount papers	352,021,029	101.9	-	-
Debt instruments	31,264,402	9.0	199,962,427	63.9
Financial instruments at fair value through profit or loss	323,064,224	93.5	199,962,427	63.9
Cash collateral given	31,891,660	9.2		
Cash and cash equivalents	25,679,651	7.4	135,476,685	43.3
Other	1,087,094	0.3	(4,679,759)	(1.5)
Subordinated convertible debt	(36,163,873)	(10.4)	(17,991,307)	(5.7)
Total	**345,558,756**	**100.0**	**312,768,046**	**100.0**

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.

Stress test: there is no objective justification to assume that historic returns are 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 are 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 are 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 test is 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 are 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 is the lesser of:

- 25% of total capital (including share capital, retained earnings and Tier 2 capital);
- 10% of the total portfolio size;
- The average monthly traded volume (applies to deliverable contracts only).

The positions per currency are as follows per 31 December, 2008.

	Fair value 2008	**Contract position 2008**
US Dollar	395,905,347	-
Euro	9,556,871	-
Argentine Peso	3,349,195	40,000,000
Honduras Lempira	447,603	15,421,770
Moldovan Leu	214,006	6,444,100
Tanzanian Shilling	133,263	24,566,474
Bangladesh Taka	119,500	50,808,391
West Africa Franc	(2,066)	530,214
Uganda Shilling	(64,737)	3,905,418
Third Ghanaian Cedi	(78,191)	8,954,665
Dominican Peso	(108,941)	1,429,359
Costa Rican Colon	(292,721)	10,149,138
Vietnamese Dong	(331,104)	8,043,466
Tunisian Dinar	(397,880)	8,506,651
Thai Baht	(401,452)	20,000,000
Albanian Lek	(402,752)	9,486,777
Yuan Renminbi	(439,609)	40,000,000
Malaysia Ringit	(519,706)	20,000,000
Sri Lanka Rupee	(844,336)	49,277,797
Kazakhstan Tenge	(938,461)	40,000,000
Moroccan Dirham	(973,329)	20,000,000
Egyptian Pound	(1,628,289)	40,000,000
Philippine Peso	(1,821,522)	40,561,786
Chilean Peso	(2,937,507)	40,000,000
South African Rand	(3,070,940)	40,000,000
Indian Rupee	(4,065,458)	38,424,984
Peruvian New Sol	(4,680,502)	61,011,545
Zambian Kwacha	(5,200,374)	19,291,473
Mexican New Peso	(6,683,037)	40,000,000
Indonesian Rupiah	(7,465,489)	40,000,000
Kenyan Shilling	(8,824,191)	53,933,374
Brazilian Real	(11,994,435)	40,000,000
	345,558,756	**830,747,383**

For the year ended 31 December, 2007 the following exposures existed.

	Fair value 2007	Contract position 2007[3]
US Dollar	298,353,835	-
Euro	14,414,211	-
	312,768,046	**-**

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 are not be affected by hedging.

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[4]. 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.

At 31 December 2008, the Fund has market VaR of USD 25.6 million (2007: close to nil). The market VaR consists of foreign currency exchange risk VaR (USD 24.3), interest rate risk VaR mature market (USD 0.4 million) and interest rate risk VaR emerging markets (USD 0.9 million).

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;

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 as follows:

[3] The Fund had no contract positions in 2007

[4] The 99%, 1-month VaR for the floating-rate currency portfolio is equal to the second-worst monthly performance of that portfolio over the past 10 years. The fixed-rate VaR is calculated using stress tests for each currency of exposure.

	Maximum regional concentrations	Actual concentrations 31 December 2008
Emerging Europe / Central Asia	30%	7%
Middle East / North Africa	40%	8%
Asia	40%	37%
Sub Sahara Africa	50%	18%
Latin America	40%	30%

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 is 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 has to be approved by the Risk Manager.

Yield curve extension: TCX is limited to offering interest rate terms 150% the length of the longest term available in the market. The maximum term is set by the Pricing Committee on advice of the Risk Manager. This guideline is 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 assumes limited credit risk in the primary investments since the counterparties have a high credit rating and, if the creditworthiness is lower than AA, collateral management is required. For the credit risk of the investments the risk measures are 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) is assigned to each counterparty. If and when an external rating of one of the three large global rating agencies is available, this rating is the basis for the rating assessment. The PD attached to each rating class is 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.

The Fund's financial assets consist mainly of debt instruments and discount papers and are therefore exposed to credit risk. The Fund is also exposed to credit risk in the swap contracts it concluded with its investors and investment banks. The credit risk is largely mitigated by having ISDA CSA in place with periodic collateral movements. In the risk framework of the Fund, capital is held to cover this credit risk. The capital is calculated using Potential Future Exposure measures based on the 99% Value-at-Risk for the period until the next collateral call. The derivatives credit risk exposures are included in the amounts in the table below.

(all amounts in USD)	**Credit rating**	**2008**	**2007**
	AAA	382,553,125	199,962,427
	AA	36,008,187	135,476,685
	A	7,095,197	-
Total		**425,656,509**	**335,439,112**

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, 2008 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 is 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. The gap analysis for the year ended 31 December, 2008 is as follows (for the year ended 31 December, 2007 no gap analysis was applicable):

(all amounts in USD)	One week	One month	Over one month
Currency EUR			
Cash In	9,799,069	-	16,791,151
Cash Out	-	-	2,083,484
Net Position	9,799,069	-	14,707,667
Cum Net Position	9,799,069	9,799,069	24,506,737
Limit	**(205,000,000)**	**(205,000,000)**	
Currency USD			
Cash In	17,488,361	88,396,880	358,782,880
Cash Out	-	22,256,909	127,235,563
Net Position	17,488,361	66,139,971	231,547,317
Cum Net Position	17,488,361	83,628,332	315,175,649
Limit	**(205,000,000)**	**(205,000,000)**	

The net cash position over one month will for 95% mature within one year.

The Fund's financial liabilities consist of a Subordinated convertible debt for an undiscounted cash flow amount of USD 36,163,873 (2007: USD 17,991,307), representing 8.0% (2007: 5.5%) of the total financial liabilities (see note 13 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 1,240,776 (2007: USD 5,522,573), representing 1.2% of the total financial liabilities with a maturity date of less than 3 months. As a result of the reclassification of the equity portion of the puttable instruments as disclosed previous year (see Note 2 for further detail), the puttable instruments are presented as a liability. As such, the puttable instruments are subject to liquidity risk. The undiscounted cash flow of the shares Class at 31 December will mature as follows, taking into account the earliest redemption possibility.

(all amounts in USD)	2008	2007
Year of maturity		
2011	69,111,751	62,553,609
2012	55,289,401	50,042,887
2013	44,231,521	40,034,310
2014	35,385,217	32,027,448
2015	28,308,173	25,621,958
2016	22,646,539	20,497,567
2017	18,117,231	16,398,053
2018	72,468,924	65,592,213
Total	**345,558,756**	**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 due to the short term except for the subordinated convertible debt. See note 13 for further details.

5. Cash and cash equivalents

At 31 December 2008, no restrictions on the use of cash and cash equivalents exist. At 31 December, 2007 no restrictions 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 consist of the following instruments at 31 December of each year.

(all amounts in USD)	2008		2007	
	Fair value in USD	**% of NAV**	**Fair value in USD**	**% of NAV**
Level 1 financial instrument				
Discount papers	352,021,029	101.9	-	-
Debt instruments	31,264,402	9.0	199,962,427	63.9
Level 2 financial instruments				
Cross currency interest rate swaps - Primary	939,584	0.3	-	-
Cross currency interest rate swaps - Trading	7,669,611	2.2	-	-
Total	**391,894,626**	**113.4**	**199,962,427**	**63.9**

7. Cash collateral given

As at 31 December, 2008 the Fund transferred cash to margin accounts as collateral against open forward contracts for a total amount of USD 31,891,660 (2007: no cash collaterals). The margin accounts are created based on the Credit Support Annex to the schedule to the 2002 ISDA Master Agreement. The cash collaterals are interest bearing. The USD Dollar Federal Funds H.15 Bloomberg interest rate is applicable. The counterparties are rated A+/A1- by rating agency Standard & Poor's.

8. Other receivables

At 31 December, 2008 the other receivables consist of the following:

(all amounts in USD)	2008	2007
Interest receivable	128,594	483,280
Reclaimable withholding tax	85,553	25,795
Prepaid expenses	325,415	333,739
Joint Donor Escrow Account	898,232	-
Management fee receivable	104,856	-
Other	785,220	-
Total other receivables	**2,327,870**	**842,814**

Joint Donor Escrow Account
The Fund has opened a USD 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)	2008	2007
Opening balance	512,039	-
Deposits	545,177	539,739
Disbursements	(100,000)	(40,000)
Foreign exchange revaluation	(58,984)	12,300
Balance at the end of the period	898,232	512,039

During the year the separate EUR bank account has been transferred to a USD bank account. The disbursement during 2008 relates to a grant to MFX Solutions LLC. In 2007 the balance was included in the 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 reporting period.

Supervisory Board
The Supervisory Board received a total remuneration of USD 176,978 (2007: EUR 30,000 equals USD 44,163) during the reporting period and is presented as part of the governance fees. The Supervisory Board´s remuneration is based on a total annual short term fee of EUR 109,750 (2007: EUR 105,000). The total remuneration consists of the annual remuneration of USD 164,055 and an adjustment for the remuneration 2007 of USD 12,923.

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 a capital contribution of USD 70 million (and has not changed during the year). 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 reporting period.

	2008	**2007**
Share transaction Class A – 140 shares with a premium of USD 500,000 per share	-	69,935,956
Share transaction Class C – 1 share[5] at EUR 45,000	-	59,850
Backstop guarantee fee (see below for further details)	(335,000)	(111,667)
Cross currency swap transactions	(13,503,123)	-

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 pays 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. As the Fund has been assigned a credit rating of AA- by Standard & Poor's during the year, currently the Backstop guarantee facility is being discussed with FMO.

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 & Partners B.V. ("the Back Office Provider"). 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.

The Investment Manager has entered into an administration agreement with TMF Management B.V. ("the Administrator) 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 120,479 (USD 181,435) (2007: EUR 157,678 (USD 230,304)).

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

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 2,673,396 equals USD 4,070,973 (2007: EUR 584,775 equals USD 824,419);
- 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). During the year 2008 no performance fees have been paid.
- 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 892,500 (USD 1,312,742) for each year respectively.

Independent Auditor
The Fund appointed Ernst & Young as the Independent Auditor. The Independent Auditor's remuneration consists of EUR 131,019 equals USD 186,219 (2007: EUR 166,600 equals USD 243,520) audit fee. The Independent Auditor is engaged to perform the audit of the financial statements, yearly process and compliance audits on the Funds operational structure and activities. The Independent Auditor does not provide any non-audit services to the Fund.

11. Financial liabilities at fair value through profit or loss

The financial liabilities at fair value through profit or loss consist of the following instruments at 31 December of each year.

	2008	
(all amounts in USD)	**Fair value in USD**	**% of NAV**
Level 2 financial instruments		
Cross currency swaps - Primary	19,034,223	5.5
Cross currency swaps - Trading	49,796,179	14.4
Total	**68,830,402**	**19.9**

During the reporting period ending 31 December 2007 no financial liabilities at fair value through profit or loss existed.

12. Accrued expenses and other payables

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

(all amounts in USD)	2008	2007
Commitments to JoDEA Donors	898,232	512,039
Administration fee payable	52,668	132,489
Audit fee payable	92,975	152,232
Advisory fee payable	41,162	10,305
Supervisory board fees payable	97,314	-
Pricing Committee fees payable	55,807	-
Other general fees payable	2,618	686,733
Incorporation costs payable	-	3,061,346
Management fee payable	-	529,478
Risk management fee payable	-	437,951
Total accrued expenses and other payables	**1,240,776**	**5,522,573**

The incorporation costs payable at 31 December 2007 was due to FMO through which invoices were paid in advance for an amount of USD 2,837,272.

13. 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 or 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 information
The estimation of the fair value of the Subordinated Convertible Debt at 31 December, 2008 was calculated based on an internally developed valuation model and amounted to at USD 11.8 million (2007: for the fair value of the Subordinated Convertible Debt the calculation was not a reliable measurement basis).

Movement during the reporting period

(all amounts in USD)	**2008**	**2007**
Opening balance	17,991,307	-
First draw down	-	17,991,307
Second draw down	18,172,566	-
Total accrued expenses and other payables	**36,163,873**	**17,991,307**

The draw downs were paid in EUR, representing EUR 25 million in total. Due to the fact that the Fund has not the exchange rate risk as agreed in the loan agreement, no subsequent foreign currency translations were taken into account.

14. Reconciliation comparative figures of net assets attributable to holders of Shares Class A

The table below shows the reconciliation of the liabilities as disclosed in the annual report for the period ended 31 December 2007 and the liabilities as presented as comparative amount for in the current year.

(all amounts in USD)	As presented in the financial statements 2007		As presented in the financial statements 2008
	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**

As disclosed in Note 2, the early adoption of the Amendments to IAS 1 and IAS 32 “Presentation of Financial Statements” regarding puttable financial instruments and obligations arising on liquidation” resulted in a reassessment of the accounting policy for what constitutes equity and liability and consequently in a reclassification of the presentation. All puttable instruments are presented as a liability. The comparative figures have been adjusted accordingly.

15. 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 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 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, 2008 840 shares Class A are in issue (2007: 630 shares). 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 share capital 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 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 internal capital requirements to meet its objective are managed through a diversified financial structure. Currently, the Fund has common share capital and Subordinated Convertible Debt as levels of capital. Both levels (also identified as Tier 1 capital) are as follows at 31 December:

(all amounts in USD)	**2008**	**2007**
Net assets attributable to holders of Shares Class A	345,558,756	312,768,046
Subordinated Convertible Debt	36,163,873	17,991,307
Total Tier 1 capital	**381,722,629**	**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% (at 31 December, 2008: 33%), 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 (at 31 December, 2008: 33%).

During the period, the Fund complied with the minimum internal 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.

16. Result on financial instruments at fair value through profit or loss

The results on financial instruments at fair value through profit or loss are detailed follows.

(all amounts in USD)	2008	2007
Cross Currency Swaps – Primary	(15,090,923)	-
Cross Currency Swaps – Trading	(52,000,134)	-
Zero coupon bonds	456,609	2,001,875
Total result on financial instruments at fair value through profit or loss	**(66,634,448)**	**2,001,875**

The interest component included in the Cross Currency Swaps is as follows

	2008	2007
Cross Currency Swaps – Primary	5,747,152	-
Cross Currency Swaps – Trading	23,854,952	-
	29,602,105	**-**

[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.

17. Interest income

The following table details the interest income during the reporting period.

(all amounts in USD)	Notes	1 January, 2008 through 31 December, 2008	5 July, 2007 through 31 December, 2007
Financial instruments at fair value through profit or loss			
Discount papers		3,964,723	-
Debt instruments		209,411	-
Money market funds		992,519	-
		5,166,653	-
Cash and cash equivalents		6,107,404	714,661
Joint Donor Escrow Account		35,718	-
Cash collaterals		22,095	-
Total interest income		**11,331,870**	**714,661**

18. Other general expenses

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

(all amounts in USD)	2008	2007
Incorporation costs	-	3,798,710
Legal fees	435,677	-
Rating agency fees	151,031	-
Guarantee fee (see note 9)	335,000	111,667
Fundraising expenses	199,983	92,284
Tax advisory fees	58,713	10,305
Compliance fees	81,012	-
Other expenses	33,185	8,231
Total other general expenses	**1,294,601**	**4,021,197**

The incorporation costs relate to legal, startup and structuring fees.

19. 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)	2008	2007
Net assets attributable to holders of shares Class A in accordance with IFRS	**345,558,756**	**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
Amortized cost to fair value Subordinated convertible debt	24,342,074	-
Adjusted net assets to holders of shares Class A in accordance with the reported net asset value	**369,900,830**	**312,679,315**
Number of outstanding voting redeemable shares	824	630
Net asset value per share Class A at Intrinsic Value	**448,909**	**496,316**

The Intrinsic Value is the value that will apply, inter alia, to the issuance and redemption of shares. The current difference between the net asset value in accordance with IFRS and the Intrinsic Value is in the valuation of the Subordinated convertible debt (the first-loss tranche, provided by the Dutch Government), which is accounted for at amortized cost in the NAV and at fair value in the Intrinsic Value calculation. The calculation of fair value involves the calculation of the expected end value of the Subordinated convertible debt financing as at 2017, given the current net asset value and the subordination provisions in the debt instrument. The future expected value is then discounted back to present. For the year 2007 there was not a reliable measurement basis for the determination of the fair value of the Subordinated convertible debt.

The adjustments for the reporting period ending 31 December 2007 came to the attention of the Board after reporting the net asset value at 27 February 2008.

20. 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 a loss of USD 1,931,083 (2007: a gain of USD 387,190). For the translation of the non-USD positions at balance sheet date, a closing rate of EUR 0.7167 (2007: EUR 0.6793) per USD has been applied in preparation of these financial statements.

21. Personnel

The Fund did not employ any personnel during the reporting periods ended 31 December, 2008 and 2007.

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 statutory 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 allocate the loss for the period ended 31 December, 2008 of USD 64,987,024 to each relevant other reserve corresponded with each relevant class of shares.

Auditor's report

Ernst & Young
Accountants LLP
Wassenaarseweg 80
2596 CZ DEN HAAG
Postbus 90636
2509 LP DEN HAAG
Tel.: 070-3286666
Fax: 070-3244003
www.ey.nl

To: The Supervisory Board and the Board of Directors of The Currency Exchange Fund N.V.

AUDITOR'S REPORT

Report on the fund financial statements

We have audited the accompanying fund financial statements which are part of the annual report of The Currency Exchange Fund N.V., Amsterdam, which comprise the balance sheet as at December 31, 2008, the income statement, statement of cash flows and the statement of changes in net assets attributable to holders of redeemable shares Class A for the year 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 December 31, 2008, and of its result and its cash flows for the year then ended 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 f 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.

The Hague, April 20, 2009

Ernst & Young Accountants LLP

R.J. Bleijs