ati | aca

African Trade Insurance Agency
Agence pour l'Assurance du Commerce en Afrique

A good year for
protecting Africa's
Trade & investments.

→ Annual Report and Accounts | 2007

The Agency crossed new frontiers and posted new performance records during 2007.

Our Mandate

Our Mandate is to facilitate, encourage and develop the provision of, or the support for, insurance, including coinsurance and reinsurance, guarantees and other financial instruments and services for the purposes of promoting trade, investment and other productive activities in Africa in supplement to those which may be offered by the private sector, or in cooperation with the private sector.

Our Vision

To transform Africa into a prime trade and investment destination.

Our Mission

To secure trade and investments in Africa.

Gross Exposure in US Dollars

+203%

2007	60,754,582
2006	20,049,079

Total Income in US Dollars

+37%

2007	3,180,061
2006	3,059,527

Net Income in US Dollars

+27%

2007 PROFIT	126,276
2006 (LOSS)	(57,729)

Our Products and Services

TYPES OF COVER

ATI's current range of insurance products includes the following:

- Political Risk Insurance for Trade and Investment (short, medium and long term)
- Comprehensive Non-Payment cover for Private, Parastatal and Sovereign obligors
- Inter- and Intra-regional and Domestic Credit Insurance
- Unfair Calling of Bonds
- Mobile Assets Cover

HIGHLIGHTS OF THE YEAR

The Agency:

→ **Completed its legal and capital restructuring following the amendment of the ATI Treaty in July 2006, by converting its underwriting funds into pooled equity capital.**

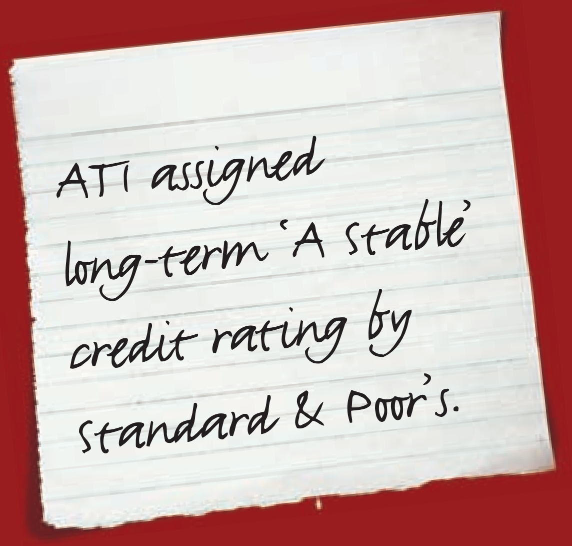
→ **Generated gross written premium of US$1,065,473**

→ **Provided investment insurance for transactions valued at over US$271 million and whole turnover credit insurance supporting exports worth over US$65 million.**

→ **Paid its first claims amounting to US$64,859.**

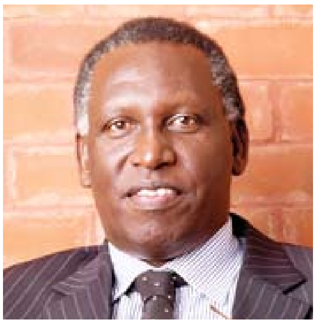
→ **Opened its first underwriting field office in Kampala, Uganda, thus expanding its physical presence outside Kenya for the first time.**

→ **Signed the ATI Treaty with the Republic of Sudan which is the key step in their becoming a full member of the Agency.**

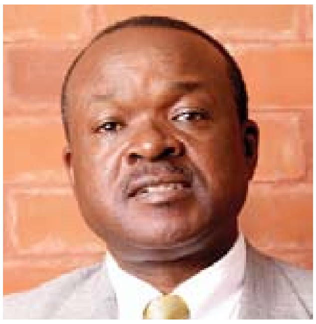


contents

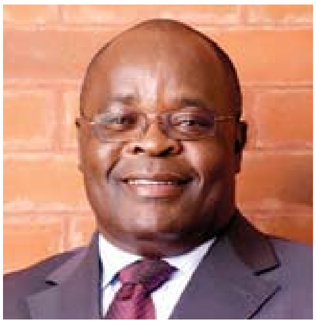
Board of Directors



Astère Girukwigomba, 57
Chairman of Board of Directors
Former Minister of Finance,
Former Minister of Trade and
Industry - Burundi.



Erastus J.O Mwencha EBS, 60
Vice Chairman
Secretary General of COMESA
and incoming Deputy Chairperson
of The African Union Commission.



David S.O Nalo CBS, 50
Board Member
Permanent Secretary Ministry
of East African Community –
Kenya

Dr James S. Malungushi, 52
Board Member
Permanent Secretary Ministry
of Finance - Zambia

Israel L. Kamuzora, 51
Board Member
Commissioner of insurance –
Tanzania

Micheal Olupot – Tukei, 48
Board Member
Assistant Commissioner
Ministry of Finance, Planning &
Finance, Planning & Economic
Development – Uganda

Robert Bayigamba, 40
Board Member
Chairman of the Private Sector
Federation of Rwanda

Alternate Directors

Gérard Niyibigira ~ Burundi
Gerard Van Brakel ~ Class C Member
Isaac Awuondo ~ Kenya
Chris Kapanga ~ Malawi
François Ngarambe ~ Rwanda
Basil Saprapasen ~ Tanzania
Irene Kego ~ Uganda

HIGHLIGHTS OF THE YEAR

In almost all areas of its operations, The African Trade Insurance Agency crossed new frontiers and posted new performance records during 2007.

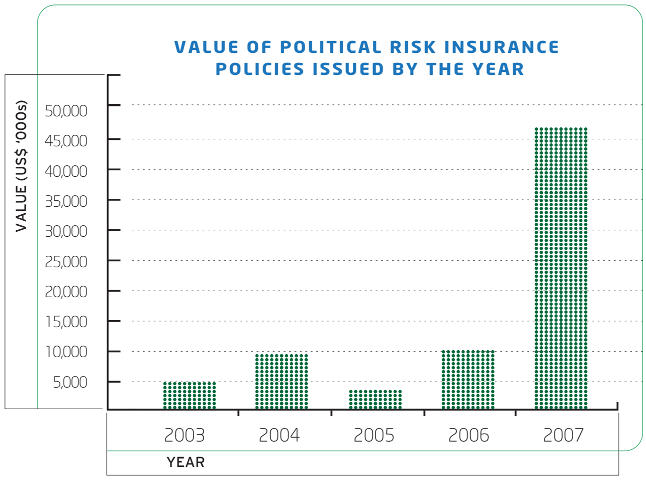
CROSSING NEW FRONTIERS

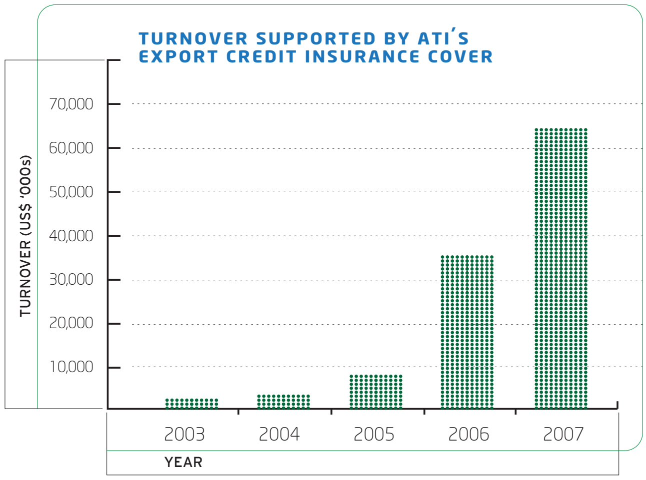
In almost all areas of its operations, The African Trade Insurance Agency crossed new frontiers and posted new performance records during 2007. These achievements included the generation of record gross written premiums, the settlement of its first claims and the binding of a record 17 new policies and renewals.

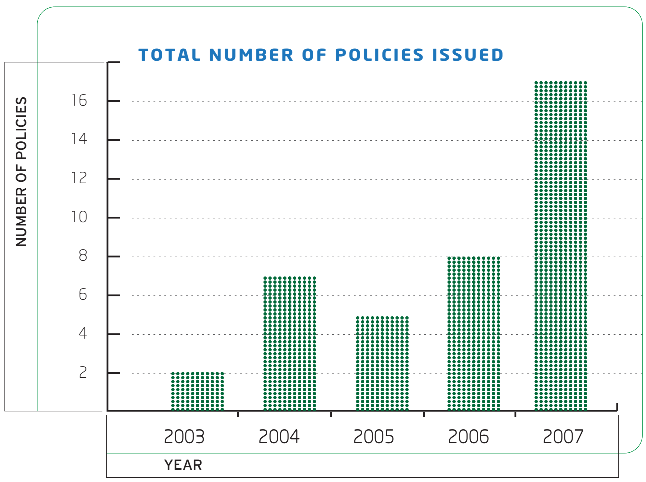
The Agency also issued its first policies covering operations in Malawi and Uganda, opened its first field office outside Kenya and finalised the process of arranging for the Republic of Sudan to sign the ATI Treaty.

Specifically, the Agency:

- Completed its legal and capital restructuring following the amendment of the ATI Treaty in July 2006, by converting its underwriting funds into pooled equity capital;
- Generated gross written premium of US$1,065,473, thereby exceeding its target for the year;
- Bound a record 17 policies and renewals, covering a cross-section of the economy, from aviation and agriculture to construction and telecommunications;
- Provided investment insurance for transactions valued at over US$271 million and whole turnover credit insurance supporting exports worth over US$65 million;
- Paid its first claims amounting to US$ 64,859, demonstrating the value of an ATI policy;
- Issued its first policies to cover investment transactions in both Malawi and Uganda;
- Entered its first co-insurance and re-insurance arrangements with American and Bermudian based insurance companies;
- Opened its first underwriting field office in Kampala, Uganda, thus expanding its physical presence outside Kenya for the first time; and
- Welcomed the Republic of Sudan as the Agency's newest member, following it's signature of the ATI treaty, which is the key step in their becoming a full member of the Agency.







STATEMENT OF THE CHAIRMAN OF THE GENERAL MEETING

The year 2007 marked one of the most important milestones in the Agency's development and operation as a credit and investment insurer.

HON. MUSTAFA MKULO | CHAIRMAN - GENERAL MEETING

I am pleased to present the Annual Report of the African Trade Insurance Agency (ATI) for the Fiscal Year 2007.

The year 2007 marks one of the most important milestones in the Agency's development and operation as an investment and credit insurer. Shortly after the substantive completion of the legal and capital restructuring process in December 2007, the Agency achieved a long-term Counterparty Credit Rating of 'A/Stable'; and an Insurer Financial Strength Rating of 'A/Stable' from Standard & Poor's. This rating represents the most significant achievement in the history of ATI since it was created in 2001, as well as a key achievement for regional integration, and trade and investment facilitation, in Africa. Both the rating of the Agency and the completion of the restructuring process, which began in 2005, are historic achievements in the development of the Agency.

The restructuring of ATI's capital requirements and the achievement of an 'A' rating are significant events as they allow the Agency to respond to the needs of the market while expanding its business and product range. A stronger financial base, coupled with a product range in tune with the market demands has positioned ATI as a leading regional insurance institution capable of fulfilling its core mandate.

This is to attract increased investment capital flows into its member countries, and in the process help private sector operators expand their markets, boost regional trade and investment and compete internationally. The capital restructuring has also enhanced ATI's capacity to both seek and provide re-insurance and co-insurance from and among international market players.

STATEMENT OF THE CHAIRMAN OF THE GENERAL MEETING
(continued)

I have no doubt that ATI will be a prominent reference point for investors. I wish the Agency every success in the coming year.

It is a historical fête that ATI exceeded its new business target in 2007 thereby establishing a firm base for premium income in 2008. This is a clear demonstration of the Agency's strength and its ability to mitigate real and perceived risks in its African Member States. It gives me confidence that our business model is well-founded. It reinforces our future as Africa's premier credit and investment insurer.

The backdrop to these achievements has been a continued expansion of the global economy, at least up until the second half of 2007 when the sub-prime crisis severely impacted economic growth in the developed economies. ATI's African Member States have benefited from the positive aspects of the global economy and have also managed to avoid the negative impact of the sub-prime crisis. African States have almost universally continued to experience substantial growth in their economies during the year 2007, building on the significant work of the past five years in this regard. Efforts to establish customs unions have also continued to bring down barriers to the growth of regional trade and investment with average real GDP growing at 5.7% in 2007, the highest in over three decades. This performance has been buttressed by stable macro-economic conditions which include lower inflation, stable exchange rates, declining interest rates and an increasing share of global trade, in many cases supported by high commodity prices. However, recent political events have thrown a cloud over some of our economies and reinforced the importance of ATI as a counter-cyclical force. It is hoped that these events are temporary in nature and that all of our economies will soon revert to the growth path of the last few years.

I would like to take this opportunity to welcome the Republic of Sudan as our 12th African Member State, having signed the ATI Treaty at the COMESA Heads of State Summit held in Nairobi, Kenya, in May 2007. I would like to encourage Sudan, as well as Djibouti and Eritrea, to complete their membership of the Agency during the course of 2008, in order that ATI can respond to the high demand for its products in their countries and to support the continued growth of their economies.

I would also like to thank all our African Member States, shareholders and partners for their continuous support to the Agency and encourage them to continue promoting ATI in the region and internationally. I'm pleased to announce that the Agency has been receiving very strong and encouraging messages from international development institutions, states, financial institutions, private corporations and export credit agencies, who are considering joining the Agency and/or are willing to provide technical and financial support to assist ATI in satisfying the increasing demand for credit and investment insurance in the African Region.

I believe that ATI will continue to play a distinctive role in promoting trade and investment activities in its African Member States, and in the African region as a whole, ensuring that they are transformed into prime trade and investment destinations. As investor confidence increases and business people explore new opportunities in Africa, I have no doubt that ATI will be a prominent reference point for investors. I wish the Agency every success in the coming year.

Honourable Mustafa Mkulo,
Chairman of the General Meeting

STATEMENT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

ATI has now underwritten policies in seven of it's Member States, having issued it's first policies in Malawi and Uganda during 2007.

MR ASTÈRE GIRUKWOMBA | CHAIRMAN - BOARD OF DIRECTORS

I am happy to report that despite the delays in the completion of the legal and capital restructuring, the Agency has this year exceeded its target for Gross Written Premium, achieving a figure of over US$1 million for the first time in the Agency's history.

ATI's performance during the Fiscal Year 2007 has been successful in several key respects.

I am happy to report that despite the delays in the completion of the legal and capital restructuring, the Agency has this year exceeded its target for Gross Written Premium, achieving a figure of over US$1,000,000 for 2007. With the substantive completion of the legal and capital restructuring, ATI's paid-in capital is now US$79 million, plus an extra US$60 million in committed contingent capital, following the completion of the capital restructuring by Malawi, Rwanda and Uganda after the year-end. We are proud that as a result of our strong operational performance and capitalization, the Agency has achieved a long-term 'A/Stable' rating from Standard & Poor's, which will greatly raise our profile in the market for investment and credit insurance.

Alongside the growth in Gross Written Premium, the Agency's gross and net exposures grew to US$60.8 million and US$36.6 million, respectively. This positive performance was the result of ATI underwriting a record 17 policies and policy renewals. This is very encouraging as it shows that demand for our traditional products is growing even as we expand our product offerings to match those of other credit and investment risk insurers.

ATI has now underwritten policies in seven out of its nine Member States, having issued its first policies in Malawi and Uganda during 2007.

STATEMENT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS
(continued)

This is very encouraging as it shows that demand for our traditional products is growing even as we expand our product offerings to match of other credit & investment insurers.

In addition, discussions are at fairly advanced stages with potential clients with business interests in Rwanda while, in the case of Madagascar, ATI is discussing with the World Bank and the European Investment Bank the possibility of increasing its equity capital in ATI, which is currently constraining the ability of the Agency to assume risks in that country. Similar discussions are underway on increasing the capital resources for the Democratic Republic of Congo (DRC), where ATI is facing rising demand for its products. To meet this demand, it will be necessary for the DRC to increase its participation in ATI's equity capital, which is expected to occur in 2008. ATI expects to have supported transactions in all its African Member States by the end of 2008.

The Agency continues to diversify its portfolio into more economic sectors in its African Member States. During 2007, ATI issued policies supporting the manufacturing sector, including textiles and chemicals, the tourism sector, as well as in social sectors such as education, in addition to its more traditional areas of operations such as agriculture, fisheries, horticulture, housing, mining and telecommunications. This demonstrates the wide and increasing impact of our contribution to the economic and social development of our African Member States.

In recognition of the importance of good corporate governance, and in light of the legal and capital restructuring, the Agency reinforced its corporate governance systems and internal, procedures. With the assistance of the Agency's external auditors, a high level review of corporate governance principles was undertaken with a view to reinforcing best practices and upholding the board procedures and regulations. As the Agency prepares to underwrite increased volumes of business following the increase in its capital resources, this process will help the Board of Directors and Management to manage the Agency to the highest industry standards.

ATI is a regional institution which any African Union member is entitled to join and benefit from our products and services. Our challenge, therefore, is to meet the expectations of the market and the African Union to actively manage the transition of the Agency into a fully fledged regional credit and investment insurer with best practice industry standards, comparable to those of other international financial institutions.

I wish to thank the General Meeting for its strong support provided to the Board, the Management and Staff of the Agency in 2007. I am confident that we can continue to count on this support as we look forward to the years ahead.

Chairman of the Board of Directors
Astère Girukwigomba

CHIEF EXECUTIVE OFFICER

OVERVIEW OF OPERATIONS

We are delighted that at the time of publishing this annual report, the Agency has been assigned a long-term 'A' counterparty and insurer financial strength ratings with a stable outlook by Standard and Poor Rating Services.

ATI COMES OF AGE

MR PETER M. JONES | CHIEF EXECUTIVE OFFICER

As we build upon the achievements and the collective experience of the past seven years, we have little doubt that the Agency has come of age and can now stand side by side with its peers and competitors, not just in Africa, but around the world.

As stated by the Chairman of the General Meeting, 2007 marked a historic achievement in the Agency's development and operation as an investment and credit insurer.

We are delighted that at the time of publishing this annual report, the Agency has been assigned a long-term 'A' counterparty and insurer financial strength ratings with a stable outlook by Standard and Poor's Rating Services.

The favourable rating is a reflection of ATI's capital adequacy which was seen as extremely strong, with total capital as at December 31, 2007 equivalent to over 90% of gross underwriting exposure. We expect this rating to result in increased business opportunities, since investors, financial institutions as well as other potential clients now have a solid basis on which to establish counterparty limits for the Agency.

These developments will enhance ATI's credibility, visibility and ability to support trade and investment in Africa. The rating reflects very strong capitalization following the norms of peer group supranationals.

The legal and capital restructuring process of the Agency that began in 2005 was substantially completed during the year, and into the first quarter of 2008, in 7 of ATI's the 9 African Member States. As at the date of this report the Agency now has paid-in capital of US$79 Million, which together with approximately an additional US$60 million in committed contingent capital enables the Agency to support almost US$2 billion in Gross Exposure, a five-fold increase over what would have been possible under the previous underwriting capital structure.

Despite the challenging business environment, characterised by the ongoing completion of its legal and capital restructuring, the Agency ultimately delivered a strong performance during 2007. In terms of gross exposure, the Agency recorded a substantial increase in underwritten business, confirming its credibility as an effective facilitator of trade and investment within its African Member States, and an efficient distributor of risk through the use of re-insurance and co-insurance.

During the year the Agency entered into its first facultative re-insurance deal with Sovereign Risk Insurance Ltd. of Bermuda, and its first co-insurance arrangement with Zurich Emerging Markets Services of the United States of America, which latter transaction allowed it to cover part of a portfolio investment into a non-member state, Ghana.

OVERVIEW: ATI COMES OF AGE

The Agency issued its first policies covering investments into the Republic of Malawi and the Republic of Uganda, opened its first underwriting field office in Kampala, Republic of Uganda and added the Republic of Sudan to the rising number of its African Member States.

The Agency also paid its first claims in the amount of US$64,859, demonstrating the value of an ATI policy to the exporters concerned, by protecting their balance sheet and employees from the adverse financial impact such a loss would otherwise have caused.

As we build upon the achievements and the collective experience of the past seven years, we have little doubt that the Agency has come of age and can now stand side by side with its peers and competitors, not just in Africa, but around the world.

Underwriting Breaks New Ground

During the 2007 Fiscal Year, the Agency generated Gross Written Premium (GWP) of US$1,065,473, exceeding its business plan for the first time since inception, being 240% of the comparable result for 2006 (US$445,258). However, Net Earned Premium showed a decline of 42% to US$213,706 due to the fact that the majority of the 2007 policies were bound during the last calendar quarter. However, the financial benefit arising from these new policies will flow through during the 2008 financial year and beyond, thus establishing a solid operating base from which to continue growing the Agency and to achieve its 2008 - 2010 business plan.

The reduction in Net Earned Premiums was offset by increases in commission income, investment income (due to slightly higher average interest rates in 2007), other operating income, and a decrease in administrative expenses as a result of strong cost control by Management. The overall outcome was a satisfactory profit of US$126,276 compared to a loss of US$57,729 in 2006.

Gross exposure rose by over 200% to US$60.8 million, when compared to 2006 (US$20.0 million), with net exposure increasing by almost 140% to US$36.6 million, as compared to 2006 (US$15.3 million), as a result of the significant increase in the amount and number of new policies issued during the year. The Agency bound a record number of 17 new policies and policy renewals, including two Sabotage & Terrorism policies where the Agency acts a placement agent for underwriters at Lloyd's of London, compared to 12 policies in 2006.

HighChem Industrials Africa Ltd (HCIA) (Kenya)
HCIA was issued an export and domestic credit insurance policy to cover non-payment by their buyers of industrial chemicals located in Kenya, Mozambique, South Africa, Tanzania, and Uganda. The company supplies numerous products throughout the East African region, and is a distributor for a number of international chemical companies including Sasol, BASF, Goldschmidt, Sudchemie and Performance Chemicals.

Industrial Development Corporation of South Africa (IDC) - Kampala Hilton Hotel, Uganda
A political risk insurance policy was issued by the Agency to IDC to support a US$20.75 million loan to partially finance the construction of the Kampala Hilton Hotel in Uganda. The face value of the policy was US$25 million being supported by facultative reinsurance from Sovereign Risk Insurance Ltd, thus enabling the Agency to offer cover for the full amount of he loan. The total cost of the hotel is estimated to be in the region of US$75.5 millions.

In terms of the overall value of transactions supported by the Agency, this exceeded US$271 million, which was almost triple the overall value of transactions supported in 2006 (US$93 million).

The Agency has increased its focus on providing support for companies exporting both regionally and internationally and has grown its export credit business by almost 40% in terms of gross exposure, and by 25% in terms of exporters benefiting from this important cover. The Agency supported US$65 million of exports during 2007. Export credit insurance is a high value-added product, allowing the exporter to move up the value chain by selling directly to end users, rather than via wholesalers and auction houses, while concurrently reducing their cost of financing by using the ATI policy as security for their bank borrowings. An undoubted win-win formula.

The Agency achieved these impressive results despite the negative impact on business activities caused by the delay in the completion of its legal and capital restructuring which, as noted earlier, is now substantially complete. The delay precluded the Agency from being able to underwrite and issue credit risk insurance policies for its own account, other than the export credit business that benefited from the strong support of the ATI's treaty reinsurer, Atradius Re.

Taking into account the new renewal business underwritten in 2007, the Agency has supported almost US$500 million in investment and trade transactions since it issued its first policy in 2003, of which US$109 million was in support of exports from African Member States, and US$122 million was for stand-alone Terrorism and Sabotage cover, which the Agency places with various underwriters at Lloyd's of London.

During the 2007 financial year, the Agency underwrote its first policies in Malawi and Uganda. The Malawian policy provided support for the education sector. The Ugandan policy, which provided support for the hotel services sector, was the single largest policy issued by the Agency to date (US$ 25 million). This was made possible due the support of Sovereign Risk Insurance Limited, Bermuda, who provided the Agency with facultative reinsurance support. In addition, the Agency was able to provide a multi-country cover to an investor, which included a potential future member of ATI, being the republic of Ghana. This was made possible through the use of coinsurance provided by Zurich Emerging Markets of the USA.

Capacity and Product Offering Expands.

As noted earlier, the Agency can now support almost US$2 billion in Gross Exposure, following the substantial completion of its legal and capital restructuring process. This figure will increase over time as the proposed capital increases for the Democratic Republic of Congo and Madagascar come on stream, and as existing and new members, such as Eritrea, Djibouti and Sudan, complete their membership of ATI and subscribe for their allotted equity capital.

The Agency's product offering has also been expanded on the back of the legal and capital restructuring and now includes coverage for both private and sovereign obligor non-payment of financial obligations.

Claims

We are pleased to report that the Agency paid its first three claims during 2007. One was for non-payment due to the insolvency of a European buyer with an indemnity payment of US$22,500, while the remaining two were for the protracted default of two European buyers, with indemnities of EUR23,464 and US$10,917, respectively. These claims were all paid to exporters situated in ATI's African Member States who would otherwise have had to absorb these losses, which would have negatively impacted their profitability. This is an excellent example of the Agency's products protecting local exporters from losses arising outside their control.

Risk Management and Corporate Governance

To ensure the Agency manages its insurance, reinsurance and investment portfolios effectively and prudently, a number of risk management and corporate governance policies and procedures were approved by the Board of Directors and brought into operation over the past two years. These include the Agency's policies for Investments, Reinsurance Counter-party Limits and Underwriting Risk Limits, all of which were approved and implemented during the course of 2006.

During 2007 a new operations manual and new and revised insurance policy wordings were approved by the Board; the policy wordings having been developed in conjunction with a major firm of London based lawyers, Clyde & Co., who have a specialist insurance practice. These new documents now reflect best market practice.

In addition, the Agency has entered into agreements with COFACE (France), CGIC (South Africa) and SinoRating, (China), for the provision of credit information on counter-parties around the globe, including Africa. This is in addition to the existing arrangements that are already in place with Atradius Information Services (the Netherlands) and the Credit Reference Bureau Africa Ltd, (Kenya).

Towards the end of 2007, and with the assistance of the Agency's external auditors, the Board and Chief Executive Officer undertook a high level review of the Agency's corporate governance standards. This exercise was undertaken with a view to identifying areas that were strong, or required improvement or reinforcement. The main objective was to ensure that the Agency was operating in accordance with best market practice, reinforcing and upholding the board procedures and regulations. Areas that were identified as requiring improvement will be addressed and corrected during the course of 2008.

For 2008, the Agency is in the process of developing an enterprise risk management system, which will reflect best market practice for an organisation of our size and nature.

Reinsurance

The Agency negotiated a new reinsurance treaty with Atradius Reinsurance Limited (Ireland) in support of its short term domestic and export credit business, which has been renewed for 2008. This replaced a similar reinsurance treaty that had been in place with the Atradius Credit Insurance Group for a number of years. Atradius Reinsurance Limited is an existing corporate member of ATI.

In addition, during the year ATI obtained facultative reinsurance from Sovereign Risk Insurance Limited (Bermuda) and entered into an arrangement whereby the African Reinsurance Corporation will provide facultative reinsurance support for investment insurance projects within ATI's African Member States.

Field Offices

It has always been a primary objective of ATI's strategy to ensure full support and easy accessibility to the Agency's wide range of trade and investment insurance products and services within its African Member States. In order to achieve this objective the Agency has embarked on a programme of opening underwriting field offices. The first field office was opened on 1st December, 2007 in Kampala, Republic of Uganda, with the financial support of the Private Sector Finance Unit of the World Bank Group.

Kenya Airports Authority (Kenya)
During the year, the Agency placed cover against terrorism, sabotage, riots, strikes, civil disobedience and malicious damage, on behalf of the Kenya Airports Authority. The policy, which was issued in conjunction with a local insurance company and underwriters at Lloyd's of London, extends to all of the Authority's facilities within Kenya, including the Jomo Kenyatta International Airport, Nairobi, the largest airport in East and Central Africa. The policy, which had a total value of US$60 million, was carefully structured to minimize the cost of acquisition.

During the course of 2008, field offices will be opened in Dar es Salaam, United Republic of Tanzania, again with the financial support of the Private Sector Finance Unit of the World Bank Group; and Lusaka, Republic of Zambia, with the financial support of the European Commission and USAID. Thereafter, the plan will be to open underwriting field offices in the Democratic Republic of Congo, the Republic of Rwanda, and in other African Member States, which will be driven by the demand for the Agency's insurance products and development objectives, and which are financially justified in the longer term.

Membership Activities

Republic of Sudan

His Excellency Salva Kiir Mayerdit, First Vice President of the Republic of Sudan, signed the ATI Treaty on behalf of his country on 23 May, 2007 at the opening of the COMESA Heads of State Summit, which was held in Nairobi, Kenya. The Republic of Sudan is currently in the process of ratifying the ATI Treaty, following which Sudan will subscribe for its allotted capital and become a full member of the Agency.

Republic of Djibouti

The Republic of Djibouti had previously signed the ATI Treaty but is yet to fulfil the remaining conditions for full membership. However, it has indicated that parliament has been requested to ratify the ATI Treaty.

Republic of Eritrea

The Republic of Eritrea had previously signed the ATI Treaty, but is yet to fulfil the remaining conditions for full membership.

In addition, a number of other Africa States have expressed interest in joining the Agency. These countries include Egypt, Ghana, Liberia (who has already applied for membership and which has been accepted by the Annual General Meeting) and the Seychelles.

Shelter Afrique (Kenya) - IMMO SERKAS (DRC)
A political risk insurance policy was issued to Shelter Afrique, a regional multi-lateral lending institution headquartered in Kenya, to support its loan of US$800,000 to a housing project in the Democratic Republic of Congo (DRC). The residential housing project is located in the Gombe area of Kinshasa, the Congolese capital, and is expected to cost US$1.6 million, half of which is to be provided by Societe Immobilliere Serge Kasanda Lusamba (IMMO SERKAS), a private Congolese investor that was also the recipient of the Shelter Afrique loan. The main objective of the project is to address the current demand for apartment housing in Kinshasa.

Management has also initiated membership discussions with Mauritania, Mauritius, Mozambique and Zimbabwe. Other countries targeted for membership discussions in the near future include Angola, Ethiopia, Ivory Coast, Nigeria and Senegal.

Partnerships for Progress

Africa

ATI is working closely with the African Export Import Bank on a number of joint projects and the Agency has also started to introduce new business opportunities to them.

The African Reinsurance Corporation has agreed to provide the Agency with facultative reinsurance and the Agency is working on the first project to be covered under this facility.

ATI and the National Agency for Insurance and Finance of Exports (NAIFE) of Sudan have started technical discussions on how to enhance co-operation between the two institutions in advance of the Republic of Sudan becoming a full member of the Agency.

The African Solidarity Fund (Le Fonds de Solidarite Africain) and the Agency have agreed to cooperate on suitable projects in joint membership countries, and to share training and provide technical assistance to one another.

Europe

The Agency continues to work closely with various underwriting syndicates at Lloyd's of London to ensure the availability of co-insurance and re-insurance, as well continued access to terrorism and sabotage market.

In addition, the Agency's new Broker Programme has started to bear fruit, with a number of transactions having been introduced to the Agency. One such transaction was the construction of the new Kampala Hilton hotel, which was introduced to the Agency by the Lloyd's Broker, FirstCity Partnership Limited.

Groupe AFD, the French bilateral development agency, has recently established contact with ATI on how they and Proparco could support and enhance the Agency's operations. Similar discussions have been initiated with ONDD (Belgium); COFACE (France); KfW and DEG (Germany); SACE (Italy); and FMO (the Netherlands).

Importantly, the European Commission has re-confirmed its support for the Agency by providing funding for the new field office in Lusaka, Zambia, in equal partnership with USAID. The European Commission had been an early supporter of ATI, providing technical and financial assistance in its formative years.

North America

The Agency and its African Member States continue to enjoy strong support from the International Development Association (IDA), a member of the World Bank Group, including the provision of financial support from the Bank's Private Sector and Finance Department for Africa, for the opening of ATI's first underwriting field office in Kampala, Republic of Uganda.

The Agency also benefits from ongoing technical support from First Initiative and the World Bank's Regional Integration and Private Sector departments on various private sector interventions; and potential joint projects with the Multilateral Investment Guarantee Agency, with whom the Agency signed an MOU in 2003.

As noted earlier, the Agency will for the first time benefit from donor support from USAID, who it is hoped will be providing half of the external funding in equal partnership with the European Commission, supporting the establishment of the field office in Lusaka, Republic of Zambia.

Productive partnerships were established with Sovereign Risk Insurance Ltd., (Bermuda), which provided the Agency with facultative reinsurance for the Kampala Hilton project in Uganda; Zurich Emerging Markets (USA) for a multi-country telecommunications project, which allowed the Agency to provide cover for an investment in Ghana; and Export Development Canada (Canada) with whom the Agency hopes to conclude a joint project in 2008. In addition, discussions regarding joint co-operation have been held with the Overseas Private Investment Corporation (USA) and USEXIM (USA).

Middle East

In the Middle East, the Agency is currently developing partnerships with various organisations. These include the Islamic Corporation for the Insurance of Investment and Export Credits, the Saudi Export Programme and the Kuwait based Inter-Arab Investment Guarantee Corporation.

Asia Pacific

The Agency worked closely with the Export Finance and Insurance Corporation of Australia, in providing them with facultative reinsurance for a major mining project in Zambia, which was completed in January, 2008.

Prague Club

ATI hosted the first Prague Club meetings to be held in Africa in November 2007. The Chairman of ATI's Board of Directors delivered a key-note address to all delegates at the opening of the meetings. The Prague Club was started in 1993 by the Berne Union and has 30 members. It acts as an information exchange network for new and maturing insurers of export credit and investment.

ATI Business in Member countries

During 2007, ATI continued to make significant contributions to the economic development of its African Member States, by supporting projects in sectors that are considered to be key to the development strategies of those countries. A summary of the Agency's activities by each African Member State follows:

1. Burundi

Burundi has historically been one of the greatest beneficiaries of ATI's investment insurance product, with the Agency having issued four investment insurance policies, with an aggregate transaction value of US$21.6 million. The sectors supported have been: manufacturing; telecommunications; and residential housing.

2. Democratic Republic of Congo (DRC)

ATI has issued two political risk insurance policies in the residential housing sector with an aggregate transaction value of US$8.2 million and a gross exposure of US$4 million. The three transactions entailed the provision of political risk insurance cover to a regional financial institution, which providing financing for these developments. In addition, a third political risk insurance policy was issued for an investment in the ICT sector valued at US$19 million, covering investments in three ATI Member States, including the DRC, and one non-member state. The DRC portion of the investment was US$5 million.

Master Supplies Ltd (Mauritius) Ministry of Education (Malawi)
In support of the Government of Malawi's forward looking policies regarding the education of pupils with learning disabilities, the Agency issued a policy to Master Supplies Ltd of Mauritius covering the supply of specialised education equipment and supplies. This policy covers sovereign non-payment arising directly and wholly from Ministry of Education and currency inconvertibility and transfer of the local currency sales proceeds under the supply contract.

3. Kenya

A multi-country political risk insurance policy involving a telecommunications company based in South Africa, and supporting its planned expansion of mobile broadband wireless access network business across three ATI Member States, including Kenya, and one non-member state, was issued with a local transaction value of US$11 million. The Kenyan portion of the insured loan amounted to US$5.8 million. In addition, six export credit insurance policies, including renewals of existing policies, were issued with an aggregate insured annual turn-over in excess of US$30 million. The bulk of these policies were issued to exporters in the horticultural sector, which is a key component of Kenya's economy and a major earner of foreign exchange. During 2007, the sector earned the country more than US$58 billion in foreign exchange and employed 2.5 million Kenyans directly. ATI also placed two terrorism and sabotage policies with underwriters at Lloyd's of London, one covering all three international airports, plus local airports and airstrips across Kenya, and the other covering telecommunication stations in Kenya, with a combined aggregate policy value of US$97 million.

4. Madagascar

While we have a significant pipeline of business, the Agency is yet to issue a policy in Madagascar. This is primarily due to the limited underwriting capital that is available for underwriting business (US$1 million). The imminent completion of the legal and capital restructuring for Madagascar will now enable ATI to support one or two smaller transactions, pending an increase in the capital resources available.

5. Malawi

ATI issued its first investment insurance policy in Malawi for the supply of educational equipment and learning aides to the Ministry of Education. The face value of this policy was US$225,000.

6. Rwanda

Although no policies were issued in Rwanda during 2007, the Agency has built up a solid pipeline of transactions, some of which are expected to close in 2008. The potential sectors to be supported include the exports of flowers; the supply of green houses, irrigation and flow pack machines; and a major investment in the tourism industry.

7. Tanzania

The Agency renewed an investment insurance policy supporting the supply of palm oil, with a face value of US$17.5 million.

In addition, two export credit insurance policies were issued in Tanzania, supporting an annual turnover of US$11.5 million. The businesses supported operate in the textile and horticulture sectors which are the principle contributors of GDP growth in Tanzania. One of the two policies also supported domestic sales within Tanzania.

8. Uganda

The Agency issued its first investment insurance policy in Uganda to the Industrial Development Corporation of South Africa (IDC) in respect of a commercial loan facility for the construction of a 5-star hotel in Kampala to be managed by Hilton Hotels, The total value of the project amounted to US$75.5 million, and the face value of the ATI policy was US$25 million. The hotel is expected to be instrumental in easing the shortage of high class accommodation in Uganda; promoting conference tourism in Uganda; and creating local employment in the hospitality industry.

9. Zambia

During 2007 ATI issued a new political risk insurance policy with a face value of US$3.3 million for a loan supporting the construction of a grain storage facility in the capital city of Lusaka valued at US$4.8 million. In addition, the multi-country telecommunications project mentioned earlier also included Zambia. The value of the Zambian portion of the investment was US$ 3 million.

Agency information

CONTENTS

Financial Statements

AGENCY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER, 2007

Board of Directors

The members of the Board of Directors are:

Name	Member Represented	Position	Alternate Director
Astère Girukwigomba	Burundi	Chairman	Gérald Niyibigira
Erastus Mwencha	Class 'C' Members	Vice Chairman	Gerard van Brakel
David S. O. Nalo	Kenya	Director	Isaac Awuondo
Robert Bayigamba	Rwanda	Director	François Ngarambe
Israel A. Kamuzora	Tanzania	Director	Basil Saprapasen
Michael Olupot Tukei	Uganda	Director	Irene Kego
James S. Mulungushi	Zambia	Director	Chris Kapanga (Malawi)

CHIEF EXECUTIVE OFFICER
Peter M. Jones (British)

PRINCIPAL PLACE OF BUSINESS
Kenya Re Towers, 5th Floor
Capital Hill Road, Upper Hill
P. O. Box 10620
00100 - NAIROBI
KENYA

BANKERS
Standard Chartered Bank Kenya Limited
Kenyatta Avenue Branch
P. O. Box 40310
00100 – NAIROBI
KENYA

NIC Bank
NIC House
P. O. Box 44599
00100 – NAIROBI
KENYA

Nedbank Limited
Old Mutual Place
2 Lambeth Hill,
London EC4V 4GG
UNITED KINGDOM

Barclays Bank of Kenya Limited
Head Office
P. O. Box 30120
00100 – NAIROBI
KENYA

Commercial Bank of Africa
Wabera Street
P. O. Box 30437
00100 – NAIROBI
KENYA

ING Bank N.V.
London Branch
60 London Wall
London EC2M 5TQ
UNITED KINGDOM

SECURITY TRUST ACCOUNT TRUSTEES
Nedbank Limited
Old Mutual Place
2 Lambeth Hill,
London EC4V 4GG
UNITED KINGDOM

ING Bank N.V.
London Branch
60 London Wall
London EC2M 5TQ
UNITED KINGDOM

AUDITORS
PricewaterhouseCoopers
The Rahimtulla Tower
Upper Hill Road
P. O. Box 43963
00100 - NAIROBI
KENYA

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER, 2007

The Directors submit their report and the audited financial statements for the year ended 31 December, 2007 which show the state of affairs of the Agency.

Establishment
The African Trade Insurance Agency (ATI) is a legal entity established under the Agreement establishing the African Trade Insurance Agency ("ATI Treaty") which came into force on the 20th day of January, 2001, as amended on the 20th day of January, 2007, and which is registered with the Secretariat of the United Nations (under Certificate of Registration No. 49593) pursuant to the provisions of Article 102 of the Charter of the United Nations.

ATI's headquarters seat is located in Nairobi, Kenya.

Principal Activity
ATI has been established to facilitate, encourage and develop the provision of insurance (including co-insurance and re-insurance), guarantees and other financial instruments and services, for the purposes of promoting trade, investments and other productive activities in Africa, supplementary to those that may be offered by the public or private sector, or in co-operation with the public or private sector.

Results For The Year
The results for the year are set out on page 30.

	US$
Income	3,180,061
Expenditure	(3,053,785)
Net Income	126,276

The net income for the year of US$ 126,276 has been added to retained earnings.

Directors
The current Directors and their Alternates who held office during the year and to the date of this report are shown on page 20.

Auditors
The auditors, PricewaterhouseCoopers, were appointed by the Annual General Meeting on 29 March, 2007 to serve for three consecutive years. This followed the expiry of the term of appointment of the previous auditors, Ernst & Young.

By Order of the Board

Astère Girukwigomba
Chairman of the Board of Directors

Nairobi
28 March, 2008

STATEMENT OF DIRECTORS' RESPONSIBILITIES ON THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER, 2007

The ATI Treaty requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of the financial affairs of the Agency as at the end of the financial year and of its operating results for that year. The Directors are also required to ensure that the Agency keeps proper accounting records, which disclose, with reasonable accuracy, the financial position of the Agency. They are also responsible for safeguarding the assets of the Agency.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the requirements of the ATI Treaty. The Directors are of the opinion that the financial statements give a true and fair view of the state of the Agency's financial affairs, operating results and any material fact that occurred after the end of the financial year until the signature of the financial statements.

The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the financial statements, as well as designing, implementing and maintaining internal control relevant to the presentation and fair presentation of financial statements that are free from material misstatement.

Nothing has come to the attention of the Directors to indicate that the Agency will not remain a going concern for at least twelve months from the date of this statement.

Astère Girukwigomba
Director

David S O Nalo
Director

Peter M Jones
Chief Executive Officer

28 March, 2008

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF AFRICAN TRADE INSURANCE AGENCY ON THE SPECIAL ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER, 2007

Introduction

Under the following agreements between IDA and the Agency:

- Development Credit Agreement dated 8 June 2001;
- the Agreement Amending the Development Credit Agreement dated 19 July 2005; and
- the Agreement Providing for the Amendment and Restatement of the Development Credit Agreement dated 23 March 2007 (Amended Credit Agreement).

IDA granted to the Agency a development credit amounting to Special Drawing Rights (SDR) 7,200,000 (approximately US$10,000,000 before taking into account the effects of the movements in exchange rates relevant to future disbursements as the Agency transacts primarily in US Dollars and each disbursement as made in US$ at the SDR/US$ cross rate ruling on the date of disbursement), to finance a portion of the Agency's operational costs. This amount includes: (a) an original amount of SDR3,900,000 (US$5,310,422); and (b) a supplemental amount of SDR3,300,000 (approximately US$5,000,000).

As required under by the Amended Credit Agreement, the Agency opened and operates a Special Account for the purposes of receiving and accounting for the proceeds of the credit from IDA.

The activities of the Special Account include the receipt of disbursements received from IDA as supported by Statements of Expenditure (SOE), payments substantiated by withdrawal applications, interest that may be earned from the balances and which belongs to the Agency, and the remaining balances as at the end of the year.

Requests for additional drawdowns under the Amended Credit are based on SOEs submitted to IDA by management for expenses incurred within the terms and conditions of the Amended Credit Agreement.

Management's responsibilities

Management is responsible for ensuring that the activities of the Special Account are in compliance with IDA's procedures and the Amended Credit Agreement. This responsibility includes: designing, implementing and maintaining internal controls necessary to ensure that the activities of the Special Account are free from misstatement, whether due to fraud or error.

Auditor's responsibilities

We are required, as auditors of the Agency, to provide an independent opinion on the degree of compliance of the activities of the Special Account in accordance with IDA's procedures and the terms and conditions of the Amended Credit Agreement and to report on the balance of the Special Account as at the end of the year. We are also required to report on the accuracy and propriety of expenditures withdrawn under SOE procedures.

We conducted our work in accordance with International Standards on Auditing (ISA). These standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance that the activities of the Special Account comply with IDA's procedures and the terms and conditions of the Amended Credit Agreement and on the balance in the Special Account as at 31 December, 2007.

An audit includes examining on a test basis, transactions relating to activities of the Special Account and evidence supporting the compliance of these activities with IDA's procedures and the terms and conditions of the Amended Credit Agreement.

Audit findings

On 5 December, 2007, management submitted a SOE requesting for additional drawdown of US$331,636 against the supplemental IDA development credit (having exhausted the original development credit). This request related to expenditure incurred in the financial periods ended 31 December, 2006. Expenses incurred for which the Agency is requesting for a reimbursement are categorised as follows:

- Consultants' services and training; US$59,206
- Operating costs; US$272,430

We reviewed, on a test basis, documentation supporting expenses incurred. We sought evidence that:

- procurement of goods and consultancy services was done in accordance with the provisions of Article III of the Amended Credit Agreement;
- expenditure incurred was appropriately and accurately supported by billing documents such as invoices raised by third parties; and

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF AFRICAN TRADE INSURANCE AGENCY ON THE SPECIAL ACCOUNT

[**continued**]

FOR THE YEAR ENDED 31 DECEMBER, 2007

- only the eligible portion of expenditure incurred was included in the request for re-imbursement.

The balance in the Special Account as at 31 December, 2007 was nil (2006: nil). Disbursement of the additional drawdowns for the expenses referred to above had not been effected as at year end.

Opinion

In our opinion, the Special Account has been operated in accordance with the terms of the Agreement Amending the Development Credit Agreement dated 19 July, 2005 and the Agreement Providing for the Amendment and Restatement of the Development Credit Agreement dated 23 March, 2007.

PricewaterhouseCoopers

PricewaterhouseCoopers

Certified Public Accountants
Nairobi

28 March, 2008

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF AFRICAN TRADE INSURANCE AGENCY ON THE SECURITY TRUST ACCOUNTS AND INCOME ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER, 2007

Introduction

Under the Development Credit Agreements and the Agreements Providing for the Amendment and Restatement of the Development Credit between the International Development Association (IDA) and the Agency, and between IDA and each of the African Member States participating in the Regional Trade Facilitation Project (RTFP), and the Participation Agreements and the Agreements Providing for the Amendment and Restatement of the Participation Agreements between the Agency and each of the African Member States, the Agency is required to open and maintain with a reputable commercial bank or banks (Security Trust Account Trustees), US dollar-denominated Security Trust Accounts and Income Accounts on behalf of each African Member State.

Pursuant to requests from the Agency on behalf of each African Member State, IDA disburses each African Member State's credit into their respective Security Trust Account. Interest earned by the funds deposited in the Security Trust Accounts is deposited in a separate Income Account for each African Member State and is made available for use by the Agency (except for the Democratic Republic of Congo and Madagascar).

The funds in the Security Trust Accounts provide the Agency with the underwriting capital needed to underwrite political and commercial risk insurance, including co-insurance and re-insurance. In line with the Agency's legal and capital restructuring programme, existing funds held in the Security Trust Accounts on behalf of countries that meet the requirements of the Agreements Providing for the Amendment and Restatement of the Development Credit Agreements between IDA and each African Member State are to be fully converted into the Agency's common equity capital.

Management's responsibilities

Management is responsible for ensuring that the Security Trust Accounts and Income Accounts are operated in accordance with the following:

- The Amended Agreement Establishing the African Trade Insurance Agency (ATI Treaty);
- The Project Agreement between the African Trade Insurance Agency and the International Development Association (ATI/IDA Project Agreement):
- The Agreement Providing for the Amendment and Restatement of the Project Agreements (ATI/IDA Amended and Restated Project Agreement);
- The Development Credit Agreement between the African Trade Insurance Agency and the International Development Association (ATI/IDA Development Credit Agreement);
- The Agreement Providing for the Amendment and Restatement of the Development Credit Agreement between the African Trade Insurance Agency and the International Development Association (ATI/IDA Amended and Restated Development Credit Agreement);
- The Development Credit Agreements between the International Development Association and African Member States (IDA/African Member States' Development Credit Agreements);
- The Agreements Providing for the Amendment and Restatement of the Development Credit Agreements between the International Development Association and each African Member State (IDA/African Member States' Amended and Restated Development Credit Agreements);
- The Participation Agreements between each African Member State and the African Trade Insurance Agency (ATI/African Member States' Participation Agreements;
- The Agreements Providing for the Amendment and Restatement of the Participation Agreements between each African Member State and the African Trade Insurance Agency (ATI/African Member States' Amended and Restated Participation Agreements);
- The Security Trust Account Agreement between the African Trade Insurance Agency and Security Trust Account Trustees and the Insurers;

- The Agreement to Amend and Partially Terminate the Security Trust Account Agreement between the African Trade Insurance Agency and Security Trust Account Trustees and the Insurers;
- The Insurance Facility Agreement between the African Trade Insurance Agency and the Insurers; and
- The Agreement to Amend and Partially Terminate the Insurance Facility Agreement between the African Trade Insurance Agency and the Insurers.

This responsibility includes: designing, implementing and maintaining internal controls necessary to ensure that the Security Trust Accounts and Income Accounts are free from misstatement, whether due to fraud or error.

Auditor's responsibilities

We are required, as auditors of the Agency, to provide an independent opinion on the degree of compliance of the operation of the Security Trust Accounts and Income Accounts with the terms of the following agreements, during the year ended 31 December, 2007:

- ATI Treaty;
- ATI/IDA Project Agreement;
- ATI/IDA Amended and Restated Project Agreement
- ATI/IDA Development Credit Agreement;
- ATI/IDA Amended and Restated Development Credit Agreement
- IDA/African Member States' Development Credit Agreements;
- IDA/African Member States' Amended and Restated Development Credit Agreements
- ATI/African Member States' Participation Agreements;
- ATI/African Member States' Amended and Restated Participation Agreements
- Security Trust Account Agreement between ATI and the Security Trust Account Trustees and the Insurers;
- The Agreement to Amend and Partially Terminate the Security Trust Account Agreement between the African Trade Insurance Agency and Security Trust Account Trustees and the Insurers;
- Insurers and the Insurance Facility Agreement between ATI and the Insurers; and
- The Agreement to Amend and Partially Terminate the Insurance Facility Agreement between the African Trade Insurance Agency and the Insurers.

We conducted our work in accordance with International Standards on Auditing (ISA). These standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance on the compliance of the operation of the Security Trust Accounts and Income Accounts with the agreements listed above.

An audit includes examining on a test basis, transactions relating to the operation of the Security Trust Accounts and Income Accounts during the period 1 January to 31 December, 2007.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF AFRICAN TRADE INSURANCE AGENCY ON THE SECURITY TRUST ACCOUNTS AND INCOME ACCOUNTS [continued]

FOR THE YEAR ENDED 31 DECEMBER, 2007

Audit findings

Under the nine IDA/African Member State DCAs, the total eligible credits available from IDA to the African Member States amounted to SDR 94,093,500 (approximately US$138,170,893).

During the year, Kenya, Tanzania, Zambia and Burundi met all of the conditions precedent contained in their respective Amended and Restated Development Credit Agreements, which were declared effective by IDA. Amounts initially disbursed to these African Member States through the Security Trust Accounts are also converted into the common equity of the Agency and therefore become a part of the Agency's Capital Stock. However, as at 31 December, 2007, these funds had not yet been transferred from the Security Trust Accounts to ATI Bank Accounts and continue to be held as part of the balance making up the Security Trust Accounts.

In line with their respective Amended and Restated Development Credit Agreements, each African Member State that complies with the conditions precedent contained in their respective Amended and Restated Development Credit Agreements and have been declared effective by IDA were to receive an additional disbursement into the ATI Bank Accounts necessary to increase their disbursed funds to 64% of the total available credit allocated to the relevant African Member State. As Burundi had already met this criterion, no additional funds were disbursed. Additional funds were disbursed for Kenya (US$4,873,090) and Tanzania (US$2,903,216). Funds for Zambia had not been disbursed as at 31 December 2007. These additional funds are exchanged for common shares in the Agency and become a part of the Agency's Capital Stock and are therefore not included in the balance making up the Security Trust Accounts as at 31 December, 2007.

As at 31 December, 2007, the percentage of total available credits allocated to the individual country that had already been disbursed is as follows:

- Madagascar: 100%;
- Kenya, Tanzania and Burundi: 64%;
- Zambia: 48%;
- Malawi, Rwanda, and Uganda: 26%; and
- DRC: 25%.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF AFRICAN TRADE INSURANCE AGENCY ON THE SECURITY TRUST ACCOUNTS AND INCOME ACCOUNTS [continued]

FOR THE YEAR ENDED 31 DECEMBER, 2007

Opinion

In our opinion, the Security Trust Accounts and Income Accounts have been operated in accordance with the terms of

- the ATI Treaty;
- the ATI/IDA Project Agreement;
- the ATI/IDA Amended and Restated Project Agreement;
- the ATI/IDA Development Credit Agreement;
- the ATI/IDA Amended and Restated Development Credit Agreement;
- the IDA/African Member States' Development Credit Agreements;
- the IDA/African Member States' Amended and Restated Development Credit Agreements;
- the ATI/ African Member States' Participation Agreements;
- the ATI/African Member States' Amended and Restated Participation Agreements;
- the Security Trust Account Agreement between ATI and the Security Trust Account Trustees and the Insurers;
- the Agreement to Amend and Partially Terminate the Security Trust Account Agreement between the African Trade Insurance Agency and Security Trust Account Trustees and the Insurers;
- the Insurance Facility Agreement between ATI and the Insurers;
- and the Agreement to Amend and Partially Terminate the Insurance Facility Agreement between the African Trade Insurance Agency and the Insurers.

PricewaterhouseCoopers

PricewaterhouseCoopers
Certified Public Accountants
Nairobi

28 March, 2008

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF AFRICAN TRADE INSURANCE AGENCY ON THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER, 2007

We have audited the accompanying financial statements of the African Trade Insurance Agency set out on pages 30 to 61. These financial statements comprise the balance sheet as at 31 December, 2007, the income statement, the statement of changes in equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of 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 independent opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of the Agency's financial affairs at 31 December, 2007 and of its profit, changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers
Certified Public Accountants
Nairobi

28 March, 2008

STATEMENT OF INCOME

FOR THE YEAR ENDED 31 DECEMBER, 2007
(expressed in U.S. dollars)

	Notes	2007	2006
		US$	US$
Income			
Gross Written Premiums		1,065,473	445,258
Reinsurance Premiums Ceded		(539,330)	(140,941)
Change in provision for Unearned Premiums		(312,437)	65,393
Net Earned Premiums	4	213,706	369,710
Commission income	5	71,961	23,524
Investment income	6	2,852,415	2,663,801
Other operating income	7	41,979	2,492
Total Income		**3,180,061**	**3,059,527**
Expenses			
Claims incurred	8		
- Gross		137,971	-
- Reinsurers' share		(137,971)	-
Acquisition costs	9	26,792	48,330
Administrative expenses	10	2,974,204	3,023,865
Finance costs	11	52,789	45,061
Total Expenses		**3,053,785**	**3,117,256**
Net Income (Loss)		**126,276**	**(57,729)**

BALANCE SHEET

FOR THE YEAR ENDED 31 DECEMBER, 2007

(expressed in U.S. dollars)

	Notes	2007	2006
		US$	US$
Assets			
Cash and bank balances		2,030,306	1,877,834
ATI Bank Accounts	12	7,776,306	-
Security Trust Accounts	12	51,244,463	51,244,463
Insurance balances receivable	13	453,969	118,286
Reinsurance balances receivable	14	66,066	35,571
Reinsurer's share of the claims reserve	15	73,112	-
Deferred acquisition costs	9	30,279	4,883
Property and equipment	16	61,876	42,923
Intangible assets	17	16,293	19,257
Other receivables and prepayments	18	658,328	222,462
		62,410,998	53,565,678
Liabilities			
Claims reserve	8	73,112	-
Unearned premiums	4	342,079	29,701
Unearned ceding commissions	5	72,318	29,289
Insurance balances payable	13	220,930	347,090
Reinsurance balances payable	14	304,642	142,283
Other payables and accrued expenses	19	387,153	240,770
IDA - Development credit	20	5,642,058	5,310,422
		7,042,292	6,099,555
Shareholders Equity			
Share capital	21	46,000,000	1,300,000
Share premium account	21	159,762	-
General Reserve	22	250,000	250,000
Underwriting Capital	23	14,161,007	51,244,463
Retained earnings		(5,202,063)	(5,328,339)
		55,368,706	47,466,124
		62,410,998	53,565,679

The financial statements on pages 30 to 61 were approved by the Board of Directors on 28 March, 2008 and were signed on its behalf by:

Astère Girukwigomba
Director

Peter M Jones
Chief Executive Office

David S O Nalo
Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER, 2007
(expressed in U.S. dollars)

	Notes	Share Capital	Share Premium Account	General Reserve	Underwriting Capital	Retained Earnings	Total
		US$	US$	US$	US$	US$	US$
At 1 January 2006		1,300,000	-	250,000	47,763,546	(5,270,610)	44,042,936
Disbursement of funds		-	-	-	3,480,917	-	3,480,917
Net Income/(Loss)		-	-	-	-	(57,729)	(57,729)
At 31 December 2006		1,300,000	-	250,000	51,244,463	(5,328,339)	47,466,124
At 1 January 2007		1,300,000	-	250,000	51,244,463	(5,328,339)	47,466,124
Disbursement of funds	23				7,776,306	-	7,776,306
Conversion to Share Capital	21,23	44,700,000	-	-	(44,700,000)	-	-
Transfer to Share Premium	21,23	-	159,762	-	(159,762)	-	-
Net Income/(Loss)		-	-	-	-	126,276	126,276
At 31 December, 2007		46,000,000	159,762	250,000	14,161,007	(5,202,063)	55,368,706

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER, 2007
(expressed in U.S. dollars)

	Notes	2007	2006
		US$	US$
Cash flows on operating activities			
Net cash used in operating activities	24 (a)	(126,898)	(154,133)
Cash flows from investing activities			
Purchase of motor vehicles and equipment	16	(47,275)	(46,819)
Purchase of intangible assets	17	(6,473)	(18,948)
Proceeds from disposal of equipment		1,482	344
Net cash used in investing activities		(52,266)	(65,423)
Cash flows from financing activities			
Receipts from IDA Development Credit	20	331,636	-
Share capital subscriptions	21	44,859,762	-
Net cash provided by financing activities		45,191,398	-
Increase (decrease) in cash and cash equivalents		45,012,234	(219,556)
Cash and cash equivalents at 1 January		1,877,834	2,097,390
Cash and cash equivalents at 31 December	24 (b)	46,890,068	1,877,834

1. Accounting Policies

(a) Basis of preparation

The Agency's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The principal accounting policies applied in the preparation of the financial statements remain unchanged from the previous year. The financial statements are prepared under the historical cost basis of accounting, except where otherwise stated in the accounting policies below.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions. Actual results could differ from these estimates. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.

(b) Adoption of new and revised accounting standards

In 2007, the following new and revised standards and interpretations became effective for the first time and have been adopted by the Agency where relevant to its operations. The comparative figures have been restated as required, in accordance with the relevant requirements.

- IAS 1 Amendment, Capital Disclosures. A consequential amendment on capital disclosures has been made to IAS 1 as a result of adoption of IFRS 7. Additional disclosures have been included in the financial statements as part of the implementation of IFRS 7.

- IFRS 7 Financial Instruments: Disclosures. IFRS 7 requires additional disclosure over and above that required by IAS 32 in respect of the following:
  - The significance of financial instruments for the entity's financial position and performance;
  - The nature and extent of risks arising from financial instruments; and
  - Capital objectives and policies.
    This standard does not have any impact on the classification or measurement of the Agency's financial instruments.

- IFRS 4 Insurance Contracts. A consequential amendment has been made to disclosures as a result of the adoption of IFRS 7. The Agency has added additional disclosures that identify and explain the amounts in the financial statements arising from insurance contracts.

Standards, interpretations and amendments to published standards that are not yet effective

The following amendment to an existing standard and new standard and interpretations that will be mandatory for the Agency's accounting periods beginning on or after 1 January, 2008, but which the Agency has not early adopted:

- IFRIC 11 – Company and Treasury Share Transactions – from 1 January, 2008

- IFRIC 12 – Service Concession Arrangements – from 1 January, 2008

- IFRS 8 – Operating Segments – from 1 January, 2009

- IAS 23 – Borrowing Costs (revised) – from 1 January, 2009.

The Directors have assessed the relevance of these amendments and interpretations with respect to the Agency's operations and concluded that they are not relevant to the Agency.

(c) Functional currency and translation of foreign currencies

The financial statements are presented in US Dollars, which is the Agency's functional and presentation currency.

Transactions originating in US Dollars (US$) are recognised in the financial statements at the original US Dollar amounts.

1. Accounting Policies (continued)

Transactions expressed in Special Drawing Rights (SDR) are converted into US Dollars at the cross rate of SDR and US Dollars at the rates ruling at the dates of the transactions.

Transactions in foreign currencies other than US Dollars are converted into US Dollars at the spot rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in currencies other than in US Dollars are translated into US Dollars at the rates of exchange ruling at the balance sheet date. Gains and losses on exchange are charged or credited to the income statement in the year in which they arise.

(d) Insurance contracts

(i) Insurance contracts

An insurance contract represents a contract of protection against loss in which the insurer undertakes to reimburse the policy holder in the event of a specified contingency or peril. Under its insurance policies, ATI will reimburse the insured party to which the insurance contract has been assigned, for losses up to a certain percentage of the amount covered and under certain conditions. Insurance contracts also include contracts where the Agency reinsures itself, i.e. cedes risk to public or private insurers; and provides reinsurance, i.e. accepts risks from primary insurers. As an investment and credit insurer, insurance contracts issued by the Agency can largely be classified under:

- investment insurance/reinsurance covering risks inherent to cross border investment projects and trade transactions (foreign direct investment, loans, project finance, commodities, mobile assets, etc.); and
- credit insurance/reinsurance that provides protection against non-payment by private and non-private obligors.

Some of the insurance contracts issued by the Agency are of a long term nature and span multiple financial reporting periods.

(ii) Recognition and measurement

I. Premium income

Gross Written Premiums comprise premiums on direct insurance and reinsurance contracts assumed during the year, covering a twelve month period from the effective date irrespective of whether the period relates in whole or in part to a later accounting period and each twelve month period on the anniversary date. The Gross Written Premiums are initially recorded as unearned premiums. The earned portion of premiums written is recognised as revenue. Premiums are recognised as earned in accordance with a constant periodic return calculated on the expected contingent risk. Premiums are disclosed gross of premiums ceded to reinsurers and commission paid to intermediaries.

Premiums ceded follow the same approach as for direct insurance contracts and are recognised as a reduction to Gross Written Premiums over the indemnity period, based on the pattern of risks underwritten. Commissions on reinsurance ceded are deferred and amortised over the terms of the contracts of insurance to which the contracts of reinsurance relate.

II. Unearned Premium

The provision for unearned premiums comprises the proportion of Gross Written Premium which is estimated to be earned in the subsequent financial year, computed separately for each contract of insurance using a constant periodic return calculated on the expected contingent risk.

III. Deferred acquisition costs

Commissions incurred in the acquisition of new and renewal business are deferred and amortized over the terms of the policies to which they relate. Deferred acquisition costs represent the proportion of acquisition costs incurred which corresponds to the unearned premiums.

iV. Claims incurred and reserving

Claims incurred comprise of claims paid, movements in the reserve for notified claims and reserves for contracts where a claimable event has occurred but not reported (IBNR) or not enough reported (IBNER).

Reserves for claims are established based on the Agency's best estimate of notified claims; IBNR; and IBNER; on its insured and reinsured obligations. The Agency records a provision for claims as and when in the Agency's opinion, a loss is probable and the amount of the loss is reasonably estimable.

The estimates for claims are periodically reviewed. Changes in the estimates are reflected in the financial statements for the period in which the adjustments are made and are disclosed separately, where material. The Agency believes that the reserves are adequate to cover the ultimate cost of all claims. However, these reserves are necessarily based on estimates, and there can be no assurance that the ultimate liability will not exceed such estimates.

For the purpose of the presentation of the financial statements, reserves for claims are presented on a gross basis and not net of reinsurance. Therefore, the Agency's claims reserve is shown as gross on the liability side of the balance sheet, while establishing a reinsurance asset (called "reinsurer's share of claims reserve") on the asset side.

V. Salvage

After the occurrence of a cause of claim or payment of indemnity the insured, at the request of the Agency, remains obligated to take all reasonable steps, including legal proceedings, in order to obtain recoveries from whatever source. Any salvage collected by the insured or the Agency shall be shared in proportion to their respective interests. Estimates of salvage are included as an allowance in the measurement of the reserve for claims.

VI. Reinsurance contracts held

Contracts entered into by the Agency with reinsurers under which the Agency is compensated for losses on one or more contracts issued that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Insurance contracts entered into by the Agency under which the contract holder is another insurer (inwards reinsurance), are included with insurance contracts.

The benefits to which the Agency is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The Agency assesses its reinsurance assets for impairment on a regular basis. If there is objective evidence that the reinsurance asset is impaired, the Agency reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement.

VII. Receivables and payables related to insurance

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders.

If there is objective evidence that the insurance receivable is impaired, the Agency reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement.

1. Accounting Policies (continued)

In prior years, the Agency recognised in full gross written premiums arising from insurance contracts that are long term in nature. In the current period, gross written premiums are recognised based on contract periods that start within a financial reporting period.

A contract period refers to an identifiable period (that is part of the insurance contract term) during which ATI continues to provide cover in exchange for premiums paid by the policyholder. Contract periods are normally annual, semi-annual, quarterly or monthly.

This change has no impact on earned premiums, net profits for the year, or shareholder's funds. However, in effecting this change, the Agency has adjusted gross written premiums, unearned premiums, deferred acquisition costs, and receivables and payables, arising from insurance contracts for the period ended 31 December, 2006, and that are shown in these financial statements as comparatives to results for the period ended 31 December, 2007.

(e) Other income recognition

Placement fees are recognised as income in the period in which they are earned.

Interest income is recognised on a time proportion basis that takes into account the effective yield on the asset.

Grants are recognised as income at the same time as the expenses related to the grant are paid or accrued.

(f) Cash and cash equivalents

For purposes of the cash flow statement, cash and cash equivalents include short term liquid investments that are readily convertible into known amounts of cash and with an original maturity period of three months or less from the date of acquisition

(g) Taxation

In accordance with the ATI Treaty, the Agency and its assets are not subject to any direct or indirect taxation by its member states.

(h) Property and equipment and depreciation

Property and equipment are stated at acquisition cost less accumulated depreciation. Acquisition cost includes the direct purchase price and incidental costs such as freight, insurance and installation costs.

Depreciation on property and equipment is calculated on the straight-line basis to write off the cost over the expected useful lives at the following annual rates:

Motor vehicles	25%
Computers and related equipment	33 1/3%
Other office equipment	20%
Furniture and fittings	20%

Items of lasting value with an initial acquisition cost of less than US$300 are capitalised but fully depreciated in the year of purchase.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the assets and are included in administration expenses. Repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

1. Accounting Policies (continued)

(i) Intangible assets

Intangible assets comprise the cost of acquired computer software programmes. Expenditure on acquired computer software programmes is capitalised and amortised using the straight-line method at an annual rate of 33 1/3%.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred and is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. Software development costs recognised as assets are amortised using the straight-line method at an annual rate of 33 1/3%.

(j) Impairment of non-financial assets

The Agency assesses, at each reporting date, whether there is an indication that an asset may be impaired. If such indication exists, the Agency makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the statement of income for the period in which the loss arises.

(k) Financial instruments

Recognition

Regular purchases and sales of financial assets are recognised on the trade date, which is the date on which the Agency commits to purchase or sell the asset.

Measurement

The measurement of the various elements of financial instruments held by the Agency as at 31 December, 2007 is outlined below:

(i) Trade and other receivables

Trade and other receivables are stated at cost.

(ii) Cash and cash equivalents

Cash and cash equivalents are measured at cost.

(iii) Trade and other payables

Trade and other payables are stated at cost.

(iv) Offset

Financial assets and liabilities are offset and the net amount reported in the balance sheet when the company has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(L) Employee benefits

(i) Retirement benefit obligations

The Agency operates a Contributory Staff Gratuity policy where an employee can either elect to maintain a pension/gratuity instrument designated by him/her or join the Agency's Staff Gratuity Investment Scheme. The assets of these schemes are held and administered independently of the Agency's assets.

All schemes are fully funded by contributions from both the Agency and employees, with the Agency's monthly contribution to the schemes being limited to a maximum of 14% of the employees' basic salary.

The Agency's obligations to the schemes are charged to the income statement as they fall due.

(ii) Other entitlements

The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognised as an expense accrual.

1. Accounting Policies (continued)

(m) Provisions

Provisions are recognised when the Agency has a present, legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of discounting to present value is material, provisions are adjusted to reflect the time value of money.

Where the Agency expects a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain.

(n) Comparative figures

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year. Note 1 (d) above describes changes that have been made during the year.

2. Accounting Estimates And Judgements

The area that management views as most critical with respect to the application of estimates and assumptions is the establishment of its claims reserves. The claims reserves are based on contract-specific parameters. A detailed summary of the claims reserve policy can be found in Note 1 (d) (ii) IV.

3. Risk Management

The Agency's activities expose it to a variety of risks, including insurance risk, credit risk, foreign currency exchange rates and interest rates. The Agency's overall risk management programme focuses on the identification and management of risks and seeks to minimise potential adverse effects on its financial performance, by the use of underwriting guidelines and capacity limits, reinsurance planning, credit policy governing the acceptance of clients, and defined criteria for the approval of intermediaries and reinsurers. Investment policies are in place which help manage liquidity, and seek to maximise return within an acceptable level of market risk.

(a) Insurance Risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. The Agency recognises that adequate management of risks is paramount and central to its underwriting operations as a credit and investment insurer. In this context, the Agency has established appropriate risk underwriting and risk management frameworks/processes designed to effectively identify, measure, control and monitor risks inherent in its underwriting activities. The Agency manages its insurance risk through:

Risk Limits – product, country, project, industry/sector and obligor;
Portfolio Risk Management;
Buyer/Obligor Risk Management;
Reinsurance and co-insurance; and
Country ratings.

The following table discloses the concentration of contingent liabilities by the class of business and by the maximum sum insured included in the terms of the policy. The amounts are the carrying amounts of the maximum contingent liabilities (gross and net of reinsurance) arising from the insurance contracts.

3. Risk Management (continued)

Concentration of Contingent Liabilities

Maximum Sum Insured by Class of business	Gross 2007 US$	Gross 2006 US$	Net 2007 US$	Net 2006 US$
Investment Insurance	54,072,594	15,262,774	36,572,594	15,262,774
Credit Insurance	6,681,988	4,786,305	-	-
Total	**60,754,582**	**20,049,079**	**36,572,594**	**15,262,774**

Maximum Sum Insured by Country				
Burundi	6,890,000	7,830,000	6,890,000	7,830,000
DRC	7,153,255	2,166,612	7,513,255	2,166,612
Kenya	5,770,738	3,333,334	5,770,738	3,333,334
Madagascar	-	-	-	-
Malawi	225,000	-	225,000	-
Tanzania	3,637,043	1,932,828	3,637,043	1,932,828
Rwanda	-	-	-	-
Uganda	25,000,000	-	7,500,000	-
Zambia	5,396,558	-	5,396,558	-
Others	6,681,988	4,786,305	-	-
Total	**60,754,582**	**20,049,079**	**36,572,594**	**15,262,774**

Contingent Liability

The maximum amount of contingent liability of the Agency to issued insurance policies outstanding at 31 December, 2007 totalled US$60,754,582 (31 December, 2006 - US$20,049,079). The maximum amount of contingent liability is the Agency's maximum exposure to loss from potential insurance claims.

3. Risk Management (continued)

(b) Financial risk Management

The Agency is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising under its insurance policies. The key financial risks that the Agency is exposed to include; credit risk; market risk; and operational risk. Market risk includes currency risk and interest rate risk.

Market risks arise from open positions in interest rates and currency, all of which are exposed to general and specific market movements.

The management of these risks is based upon policies approved by the Board of Directors.

(i) Market risk

I. Foreign exchange risk

The Agency's functional and reporting currency is the US dollar and it is exposed to foreign currency risk arising from various currencies, especially the Euro, Pounds Sterling and Kenya shillings. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Agency maintains the majority of its assets, and carries out the majority of its transactions in US dollars, and therefore the Agency has no significant or material concentration of foreign exchange risk.

At 31 December 2007, 0.4% and 0.9% of the Agency's assets and liabilities respectively were denominated in foreign currencies and therefore the weakening or strengthening of the US dollar against other currencies would have an insignificant impact on the net income for the year.

II. Credit risk

The Agency has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Agency is exposed to credit risk are:

Receivables arising out of direct insurance arrangements;
Receivables arising out of reinsurance arrangements; and
Reinsurers' share of insurance liabilities.

Other areas where credit risk arises include cash and cash equivalents held with financial institutions and other receivables.

Financial Institutions are required to have minimum ratings as follows:

- By Moody's – Senior Unsecured Issuer Rating: Aa3; Short-term Issuer Rating: P1
- By Standard & Poor's – Senior Unsecured Issuer Rating: AA-; Short-term Issuer Rating: A1
- By Fitch Ratings – Senior Unsecured Issuer Rating: AA-; Short Term Bank Deposit Rating: A1+ or their substantive equivalent.

The Agency structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty. Such limits are subject to regular review.

The Agency has set in place mechanisms to monitor the risk of default by individual counter parties.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Agency's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Agency remains liable for the payment to the policyholder. The financial strength of reinsurers is assessed through regular reviews, including the relevant financial strength or counter party public credit ratings issued by major international credit rating agencies.

3. Risk Management (continued)

When selecting a reinsurer, the Agency considers their relative security. The security of the reinsurer is assessed from, among other things, the published financial statements, public reports to insurance regulators, public credit rating information, and from internal investigations. Currently, all reinsurers with whom the Agency has reinsured insurance contracts have at least two (2) credit ratings as follows:

(i) A or better rating from Moody's, Standard & Poor's or Fitch; and

(ii) A- or better from A.M. Best.

Maximum exposure to credit risk

	2007	2006
	US$	US$
Insurance balances receivable	453,969	118,286
Reinsurance balances receivable	66,066	35,571
Reinsurers' share of claims reserve	73,112	-
Other receivables and prepayments	658,328	222,462
	1,251,475	376,319

No collateral is held for any of the above assets. All receivables are current and within the agreed terms of payment and none have had their terms renegotiated.

III. Liquidity risk

Liquidity risk is the risk that the Agency is unable to meet its payment obligations associated with its financial liabilities as they fall due.

The Agency is exposed to regular calls on its available cash for claims settlement and other administration expenses. The Agency does not maintain immediately available cash resources to meet all of these needs as experience shows that a minimum level of short term cash and maturing funds can be predicted with a high level of certainty.

3. Risk Management (continued)

The table below presents the cash flows payable by the Agency under financial liabilities by remaining contractual maturities as at the balance sheet date, as well as the contract maturity of the Agency's assets:

As at 31 December, 2007:	Up to 1 month US$	1-3 months US$	3-12 months US$	1-5 years US$	Over 5 years US$	Total US$
Liabilities						
Claims reserve		73,112				73,112
Unearned premiums	28,507	85,520	228,052			342,079
Unearned ceding commissions		56,463	15,855			72,318
Insurance balances payable	156,432	20,884	43,614			220,930
Reinsurance balances payable		165,208	139,434			304,642
Other payables and accrued expenses	225,548	36,516	125,089			387,153
IDA - Development credit				112,841	5,529,217	5,642,058
Total	**410,487**	**437,703**	**552,044**	**112,841**	**5,529,217**	**7,042,292**
Assets						
Cash and cash equivalents	2,030,306					2,030,306
ATI Bank Accounts		7,776,306				7,776,306
Security Trust Accounts		37,083,456	14,161,007			51,244,463
Insurance balances receivable	104,700	337,339	11,930			453,969
Reinsurance balances receivable		24,236	41,830			66,066
Reinsurer's share of insurance						
Contract provisions		73,112				73,112
Deferred acquisition costs			30,279			30,279
Property and equipment				61,876		61,876
Intangible assets				16,293		16,293
Other receivables and prepayments	425,092	58,796	14,533	159,907	-	658,328
Total	**2,560,098**	**45,353,245**	**14,259,579**	**238,076**	**-**	**62,410,998**

4. Premium from underwriting operations

	2007 US$	2006 US$
Gross Written Premiums		
- Political Risk	867,075	304,317
- Credit Risk	198,398	140,941
Reinsurance Premiums Ceded		
- Political Risk	(340,932)	-
- Credit Risk	(198,398)	(140,941)
Change in provision for Unearned Premiums		
- Political Risk	(312,437)	65,393
- Credit Risk	-	-
Earned Premium		
- Political Risk	213,706	369,710
- Credit Risk	-	-

5. Commission income

	2007 US$	2006 US$
Unearned Commission at 1 January	29,289	9,596
Commission income generated in the year	114,990	43,217
Unearned Commission at 31 December	(72,318)	(29,289)
Earned Commission charged to income	**71,961**	**23,524**

6. Investment income

	2007 US$	2006 US$
Interest on call and fixed deposit accounts	**2,852,415**	**2,663,801**

7. Other operating income

	2007 US$	2006 US$
Grant*	41,940	-
Gain in disposal of equipment	-	233
Debt collection fees	-	2,259
Miscellaneous	39	-
	41,979	**2,492**

*The grant relates to funding supported by the Government of Uganda and provided through the Private Sector Foundation Uganda (PSFU) for the establishing and operating expenses of an underwriting field office in Uganda. The objective of the field office is to increase the outreach and business of the Agency originating in Uganda. The grant is disbursed on a reimbursement basis and is recognised in the statement of income at the time when eligible expenses under the terms and conditions of the grant are incurred. Any expenses pending reimbursement are reported under other receivables. See note 18

8. Claims incurred and reserve for claims

The analysis of the claims incurred are shown below:

	2007 US$	2006 US$
Claims paid	64,859	-
Reserve for pending claims	22,241	-
IBNER	50,871	-
Reinsurance recoveries on paid claims	(64,859)	-
Claims reserve – reinsurer's Share	(73,112)	-
Net Claims Incurred	-	-

9. Acquisition costs

	2007 US$	2006 US$
Deferred acquisition costs at 1 January	4,883	17,073
Annual acquisition costs payable	52,188	36,140
Deferred acquisition costs at 31 December	(30,279)	(4,883)
Acquisition costs charged to income	**26,792**	**48,330**

10. Administrative expenses

Administrative expenses comprise the following:

	2007 US$	2006 US$
Personnel costs	1,826,148	1,633,573
General administration costs	326,222	315,228
Consultancy fees	274,332	577,993
Depreciation on equipment	26,239	97,459
Travel costs	149,750	151,294
Recruitment expenses	93,834	96,125
Annual General Meeting	63,611	25,626
Board expenses	55,474	42,790
Marketing costs	149,157	79,765
Amortisation on intangible assets	9,437	4,012
	2,974,204	**3,023,865**
Key Management compensation	**666,228**	**792,664**

11. Finance Costs

	2007	2006
	US$	US$
IDA commitment charges	8,241	17,683
IDA service charge	41,146	43,332
Bank overdraft interest	410	608
Exchange loss/ (gain)	2,992	(16,562)
	52,789	45,061

12. Security Trust Accounts And ATI Bank Accounts

In accordance with the original Development Credit Agreements (DCA) between IDA and the African Member States, and the original Participation Agreements (PA) between the Agency and each of the African Member States, the Security Trust Accounts are used to hold the proceeds of the credit withdrawn by the Agency and used solely for purposes of the Insurance Facility and the provision of Insurance Contracts. The total eligible credit available to all African Member States from IDA amounts to SDR 94,093,500 (approximately US$147,726,795). Of this amount, a total of SDR 38,023,417 (US$51,244,463) had been disbursed to the Security Trust Accounts as at 31 December, 2007 (31 December, 2006 – SDR38,023,417; US$51,244,463).

Following the legal and capital restructuring of the Agency the DCAs and the PAs were to be amended to enable the proceeds of the credits to be converted into common equity capital of the Agency. Existing and future withdrawn amounts under the credits are to be switched or disbursed to the ATI Bank Accounts. See Notes 21 and 23.

At 31 December, 2007, the Amended DCAs for Burundi, Kenya, Tanzania and Zambia had been declared effective.

The amounts necessary to bring the aggregate amount of funds withdrawn to 64% of the total Credits for Burundi, Kenya and Tanzania had been disbursed by year end. There were no additional funds to be disbursed for Burundi, which had already reached the 64% level of disbursement before year-end.

The additional funds for Zambia (US$2,882,248) were disbursed on 25 January, 2008. The additional funds disbursed out of the credits for Kenya and Tanzania (US$7,776,306) were deposited into the ATI Bank Accounts as at 31 December, 2007. However the amounts already previously disbursed into the Security Trust Accounts for Burundi, Kenya and Tanzania had not been transferred into the ATI Bank Accounts by year end. Since the year-end the amended DCAs for Uganda, Malawi and Rwanda have been signed, and declared effective on 17 January, 2008, 11 February, 2008 and 26 February, 2008, respectively.

Additional funds for Uganda (US$9,232,452), Malawi (US$ 6,942,384) and Rwanda (US$3,562,686) were disbursed on 15 February, 2008, 7 March, 2008 and 20 March, 2008, respectively.

12. Security Trust Accounts and ATI Bank Accounts (continued)

Shown below is the status of the Security Trust and ATI Bank Accounts at 31 December, 2007.

Security Trust Accounts	2007	2006
African Member State	US$	US$
Burundi	9,583,456	9,583,456
DRC	2,636,007	2,636,007
Kenya	12,500,000	12,500,000
Madagascar	900,000	900,000
Malawi	3,750,000	3,750,000
Rwanda	1,875,000	1,875,000
Tanzania	7,500,000	7,500,000
Uganda	5,000,000	5,000,000
Zambia	7,500,000	7,500,000
TOTAL	**51,244,463**	**51,244,463**

ATI Bank Accounts	2007	2006
African Member State	US$	US$
Burundi	-	-
DRC	-	-
Kenya	4,873,090	-
Madagascar	-	-
Malawi	-	-
Rwanda	-	-
Tanzania	2,903,216	-
Uganda	-	-
Zambia	-	-
TOTAL	**7,776,306**	**-**

13. Insurance Balances

	2007	2006
	US$	US$
Receivables – Premiums due from policyholders	453,969	118,286
Payables – Premium deposits	220,930	347,090

14. Reinsurance Balances

	2007	2006
	US$	US$
Receivables – Ceding commissions due from reinsurers	66,066	35,571
Payables - Ceded Premiums due to reinsurers	304,642	142,283

15. Reinsurer's Share Of Insurance Claims Reserve

	2007	2006
	US$	US$
Pending Claims	22,241	-
Claims incurred but not enough reported (IBNER)	50,871	-
	73,112	-

16. Property And Equipment

31 December, 2006

	Motor vehicles	Computers & office equipment	Furniture & fittings	Total
Cost	**US$**	**US$**	**US$**	**US$**
At 1 January, 2006	72,091	153,241	413,588	638,920
Additions	-	44,445	2,374	46,819
Disposals	-	(1,926)	-	(1,926)
At 31 December, 2006	72,091	195,760	415,962	683,813
Depreciation				
At 1 January, 2006	72,091	131,474	341,680	545,245
Charge for the year	-	27,009	70,450	97,459
Eliminated on disposals	-	(1,814)	-	(1,814)
At 31 December, 2006	72,091	156,669	412,130	640,890
Net book value				
At 31 December, 2006	-	**39,091**	**3,832**	**42,923**

16. Property And Equipment (continued)

31 December, 2007

	Motor vehicles	Computers & office equipment	Furniture & fittings	Total
Cost	**US$**	**US$**	**US$**	**US$**
At 1 January, 2007	72,091	195,760	415,962	683,813
Additions	-	45,301	1,974	47,275
Disposals	-	(3,092)	-	(3,092)
At 31 December, 2007	72,091	237,969	417,936	727,996
Depreciation				
At 1 January, 2007	72,091	156,669	412,130	640,890
Charge for the year	-	23,531	2,708	26,239
Eliminated on disposals	-	(1,009)	-	(1,009)
At 31 December, 2007	72,091	179,191	414,838	666,120
Net book value				
At 31 December, 2007	-	**58,778**	**3,098**	**61,876**

Property and equipment acquired at a cost of US$621,969 (2006 - US$583,362) was fully depreciated as at 31 December, 2007.

17. Intangible Assets

	2007	2006
	US$	US$
Cost		
At 1 January	55,619	36,671
Additions	6,473	18,948
At 31 December	**62,092**	**55,619**
Amortisation		
At 1 January	36,362	32,350
Charge for the year	9,437	4,012
At 31 December	45,799	36,362
Net book value		
At 31 December	**16,293**	**19,257**

Intangible assets represent the cost of acquired computer software programmes. Software acquired at a cost of US$31,559 (2006 - US$31,063) was fully depreciated as at 31 December, 2007.

18. Other Receivables And Prepayments

	2007	2006
	US$	US$
Prepayments	167,550	122,998
Other receivables	51,616	41,870
Deposits	28,343	26,313
Staff receivables	37,243	31,252
Grant reimbursements	41,940	-
IDA Credit reimbursements	331,636	-
Overpaid medical insurance	-	29
	658,328	**222,462**

An amount of US$45,082 (Euro 31,378), which is due from the European Union, is included under other receivables.

19. Other Payables And Accrued Expenses

	2007 US$	2006 US$
Accrued expenses	281,547	142,494
Personnel pension payable	45,999	9,308
Non trade accounts payable	35,839	57,780
IDA Commitment and service charges	10,789	30,601
Personnel accounts	12,979	587
	387,153	**240,770**

20. IDA – Development Credit

	2007 US$	2006 US$
At 1 January	5,310,422	5,310,422
Reimbursements due (see note18)	331,636	-
At 31 December	**5,642,058**	**5,310,422**

Under the Development Credit Agreement (DCA) between IDA and the Agency dated 8 June, 2001, and the Agreement Amending the Development Credit Agreement dated 19 July, 2005, IDA granted to the Agency a development credit amounting to SDR 7,200,000 (approximately US$10,000,000) to finance ATI's operational costs. This amount includes: (a) an original Credit of SDR3,900,000 (US$5,310,422); and (b) a supplemental Credit of SDR 3,300,000 (approximately US$5,000,000). Of these amounts, SDR3,900,000 (US$5,310,422) had been disbursed as at 31 December, 2007 (2006 – SDR3,900,000 US$5,310,422). Requests for disbursement of SDR212,268 (US$331,636) had been processed by year end and are reported as receivables under other receivables and prepayments. See Note 18.

The principal amount is repayable in semi-annual instalments over a 25 year period, effective with respect to: (a) the original credit, from 15 September, 2011 to 15 March, 2036; and (b) the supplemental credit, from 15 September, 2015 to 15 March, 2040.

Under the DCA and the amendment thereto, the Agency is required to pay to IDA a commitment charge on the principal amount of the credit not withdrawn from time to time at a rate not exceeding 1/2% per annum. The rate from 1 January, 2007 to 30 September, 2007 was 0.20%, and from 1 October, 2007 to 31 December, 2007 it was 0.10%. The Agency is also required to pay to IDA a service charge at the rate of 3/4% per annum on the principal amount of the credit withdrawn and outstanding from time to time.

Both the commitment charge and service charge are payable to IDA semi-annually on 15 March and 15 September of each year.

21. Share Capital

In accordance with the original ATI Treaty, the Agency had an open-ended capital stock based on an initial capital stock of US$4,000,000 divided into 40 shares with a par value of US$100,000 each, which were available for subscription by members.

The Agency's underwriting capital was provided through a security structure in which the existing African Member States borrowed funds (IDA credits) in SDR from the International Development Association (IDA). This security structure was governed through Development Credit Agreements (DCA) signed between IDA and the African Member States, and the Participation Agreements (PA) signed between the Agency and each of the African Member States. The total credits available from IDA amounted to SDR 94,093,500 (US$138,170,893). Of this amount, a total of SDR 38,023,417(US$51,244,463) had been disbursed to the Security Trust Accounts (managed by the Agency) as at 31 December, 2007 (31 December, 2006 –SDR 38,023,417; US$51,244,463).

Following the legal and capital restructuring of the Agency, the authorized share capital of the Agency was increased from US$4,000,000 divided into 40 shares, to US$1,000,000,000 divided into 10,000 shares. Therefore, in accordance with the Amended ATI Treaty, the Agency has an open-ended capital stock based on an initial authorised nominal capital stock of US$1,000,000,000 divided into 10,000 shares with a par value of US$100,000 each, which are available for subscription by members.

In addition, as a key component of the legal and capital restructuring, the Agency converted the security structure described above into an equity structure whereby the underwriting capital shown above has been converted into pooled common equity capital. This resulted in the requirement for the African Member States to execute agreements amending the DCAs and the PAs. The disbursement of the IDA credits is to be made in three instalments (all of which, including the existing disbursements, is to converted into common equity capital), in the following manner:

(i) an immediate disbursement such that 64 percent of each Member State's IDA commitment has been disbursed, resulting in Paid Up Capital of approximately US$87 Million; followed by

(ii) two further disbursements of 18 percent of each MemberState's IDA commitment linked to ATI's capital requirement calculated in accordance with the formula for Required Capital, such that when the Required Capital has reached US80 million, the second disbursement of 18 percent will occur (resulting in Paid Up Capital of approximately US$113 Million), and that when the Required Capital has reached US$120 million, the third and final disbursement of 18 percent will occur (bringing Paid Up Capital to approximately US$139 Million); and

(iii) in addition, any un-drawn funds will take the form of committed contingent capital, such that they will be available for immediate disbursement in the unlikely event that ATI would suffer losses such that its Required Capital would no longer be sufficient to continue writing new business without the full disbursement of the remaining capital.

Required Capital is calculated using the following formula:

(i) 43% of the ATI net exposure, less the amount of any outstanding cash collateralised policies then in force; plus
(ii) 4% of the amount of reinsurance purchased by the ATI; plus
(iii) the amount of any outstanding cash collateral.

The initial additional disbursements occur as soon as the agreement amending the DCA for each African Member Sates country is declared effective by IDA.

As at 31 December, 2007 Burundi, Kenya, Tanzania and Zambia had signed the agreements amending their DCAs and had had their DCAs declared effective by IDA.

21. Share Capital (continued)

The status of the Agency's capital before and after the various actual and forecast disbursements, and the associated conversion of the existing underwriting capital into common equity capital is shown below:

Member Country	Total initially disbursed* US$	Total disbursed at 31/12/07 US$	64% of the Credit US$	82% of the Credit US$	100% of the Credit US$
Burundi**	9,583,456	9,583,456	9,583,456	12,329,386	15,353,209
DR Congo	2,636,007	2,636,007	7,075,182	9,124,032	11,172,882
Kenya	12,500,000	17,373,090	17,373,090	22,855,530	28,337,970
Madagascar***	900,000	900,000	900,000	900,000	900,000
Malawi	3,750,000	3,750,000	10,516,960	13,795,120	17,073,280
Rwanda	1,875,000	1,875,000	5,264,107	6,903,187	8,542,267
Tanzania	7,500,000	10,403,216	10,403,216	13,665,758	16,943,918
Uganda	5,000,000	5,000,000	14,166,187	18,546,487	22,926,787
Zambia	7,500,000	7,500,000	10,364,260	13,642,420	16,920,580
	51,244,463	59,020,769	85,646,458	111,761,920	138,170,893
Initial Capital Stock	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000
Total Capital Stock	**52,544,463**	**60,320,769**	**86,946,458**	**113,061,920**	**139,470,893**

*Total funds disbursed before declaration of effectiveness of Amended DCAs.

**The credit for Burundi was already 64% disbursed on the date its Amended DCA was declared effective by IDA.

***The credit for Madagascar has been fully disbursed.

The amounts shown above in US dollars are subject to variation based on the actual foreign exchange rate between SDR and US dollars that will be applicable on the actual date of all future disbursements.

21. Share Capital (continued)

The status of the issued and fully paid share capital at 31 December, 2007 is shown below:

	2007	2007	2006	2006
	Number of shares	Paid up capital	Number of shares	Paid up capital
Member		US$		US$
Class 'A'				
Burundi	96	9,600,000	1	100,000
DRC Congo	1	100,000	1	100,000
Kenya	174	17,400,000	1	100,000
Madagascar	1	100,000	1	100,000
Malawi	1	100,000	1	100,000
Rwanda	1	100,000	1	100,000
Tanzania	105	10,500,000	1	100,000
Uganda	1	100,000	1	100,000
Zambia	76	7,600,000	1	100,000
	456	**45,600,000**	**9**	**900,000**
Class 'C'				
COMESA	1	100,000	1	100,000
Atradius (Gerling Credit Emerging Markets SA)	1	100,000	1	100,000
PTA Re-Insurance Company	1	100,000	1	100,000
PTA Bank Limited	1	100,000	1	100,000
	4	**400,000**	**4**	**400,000**
Total	**460**	**46,000,000**	**13**	**1,300,000**

The Agency's committed contingent capital at 31 December, 2007 was US$79,150,124. This amount is subject to variation based on the actual foreign exchange rate between SDR and US dollars that will be applicable on the actual date of all future disbursements.

21. Share Capital (continued)

Share Premium Account

In accordance with the Amended ATI Treaty, shares issued to Class "A" shareholders must be issued by way of instalments of whole shares, the total par value of such shares comprising each such instalment. Burundi, Kenya and Tanzania having been allotted shares in accordance with this requirement have an outstanding balance of capital funds, which is insufficient to pay the par value of one full share, and is shown as share premium in the balance sheet.

As each future disbursement occurs these amounts held in the share premium account are added to the amount of the future disbursement to establish the number and amount of each instalment of fully paid shares to be issued, with any surplus balance being carried forward in the share premium account. The balance of the share premium account at 31 December, 2007 is set out below:

	Paid up capital as at December 31, 2007	Nominal value of shares allotted	Share Premium
Member State	**US$**	**US$**	**US$**
Burundi	9,583,456	9,500,000	83,456
Kenya	17,373,090	17,300,000	73,090
Tanzania	10,403,216	10,400,000	3,216
Zambia	7,500,000	7,500,000	-
TOTAL	**44,859,762**	**44,700,000**	**159,762**

22. General Reserve

The general reserve of US$250,000 (2006 - US$ 250,000) was set up to cover possible expenses arising out of future claims.

23. Underwriting Capital

The Agency's underwriting capital was provided through a security structure in which the existing African Member States borrowed funds (IDA credits) in SDR from the International Development Association ("IDA"). This security structure was governed through Development Credit Agreements (DCA) signed between IDA and the African Member States, and the Participation Agreements (PA) signed between the Agency and each of the Participating Countries. The total eligible credit available from IDA amounted to SDR 94,093,500 (US$138,170,893). Of this amount, a total of SDR 38,023,417(US$51,244,463) had been disbursed to the Security Trust Accounts (managed by the Agency) as at December 31, 2007 (December 31, 2006 –SDR 38,023,417; US$51,244,463).

Following the legal and capital restructuring of the Agency the underwriting capital is to be converted into pooled common equity capital. The capital restructuring is phased –in by disbursing amounts of each African Member State's IDA commitment in 3 tranches (all of which, including existing disbursements, are converted into common equity capital). See Notes 12, and 21.

At 31 December, 2007, the amended DCAs for Burundi, Kenya, Tanzania and Zambia had been declared effective. The amounts necessary to bring the aggregate amount of funds withdrawn to 64% of the total credits for Kenya and Tanzania had been disbursed by year end and converted into common equity capital. The additional funds for Zambia (US$2,882,248) were disbursed on 25 January, 2008. There were no additional funds to be disbursed for Burundi, which had already reached the 64% level of disbursement before year-end. Similarly, the amounts of the credits already disbursed were also to be converted into common equity capital. The balance of the underwriting capacity at year end therefore represents disbursed funds for African Member States for which agreements amending their DCAs had not been either signed or declared effective (Malawi, Rwanda and Uganda), or signed (DRC and Madagascar). Since the year-end the amended DCAs for Uganda, Malawi and Rwanda have been signed, and declared effective on 17 January, 2008, 11 February, 2008 and 26 February, 2008, respectively. Additional funds for Uganda (US$9,232,452), Malawi (US$6,942,384) and Rwanda (US$3,562,686) were disbursed on 15 February, 2008, 7 March, 2008 and 20 March, 2008, respectively.

23. Underwriting Capital (continued)

The status of the underwriting capacity at 31 December, 2007 is as shown below:

	Underwriting capacity at January 1	Additional amount disbursed to bring the overall disbursement to 64% of the credit	Amounts converted into share capital and share premium	Underwriting capacity at December 31
Country	**US$**	**US$**	**US$**	**US$**
Burundi	9,583,456	-	(9,583,456)	-
DRC	2,636,007			2,636,007
Kenya	12,500,000	4,873,090	(17,373,090)	-
Madagascar	900,000	-	-	900,000
Malawi	3,750,000	-	-	3,750,000
Rwanda	1,875,000	-		1,875,000
Tanzania	7,500,000	2,903,216	(10,403,216)	-
Uganda	5,000,000	-		5,000,000
Zambia	7,500,000	-	(7,500,000)	-
TOTAL	**51,244,463**	**7,776,306**	**(44,859,762)**	**14,161,007**

24. Notes To The Cash Flow Statement

	2007	2006
	US$	US$
((a) Net Cash provided by (used in) operating activities		
Net Income (Loss)	126,276	(57,729)
Adjustments to reconcile the net income (loss) to net cash used in operations:		
Depreciation (note 16)	26,239	97,459
Amortisation charge (note 17)	9,437	4,012
Loss/ (Gain) on disposal of equipment	601	(232)
Changes in:		
Insurance receivables (note 13)	(335,683)	(107,570)
Reinsurance receivables (note 14)	(30,495)	(24,744)
Reinsurer's share of the claims reserve (note 15)	(73,112)	-
Deferred acquisition costs (note 9)	(25,396)	12,190
Other receivables and prepayments (note 18)	(435,866)	(49,712)
Claims reserve (note 8)	73,112	-
Unearned premium and ceding commissions (note 4,5)	355,407	(45,701)
Insurance payables (note 13)	(126,160)	(173,983)
Reinsurance payables (note 14)	162,359	98,976
Other payables and accrued expenses (note 19)	146,383	92,901
Net Cash used in operating activities	**(126,898)**	**(154,133)**

(b) Analysis of Cash and Cash Equivalents at

31 December:	2007	2006
	US$	US$
Cash and Bank balances	2,030,306	1,877,834
ATI Bank Accounts*	7,776,306	-
Security Trust Accounts**	37,083,456	-
	46,890,068	**1,877,837**

*Relates to additional amounts of credits that have been disbursed to common equity following the Amended and Restated DCAs having been declared effective by IDA for each relevant African Member State. See notes 12, 21 and 23.

** Relates only to the disbursed funds for Burundi, Kenya, Tanzania and Zambia that have been converted into common equity capital and have yet to be switched to the ATI Bank Accounts. See notes 12, 21 and 23.

25. Capital Commitments

	2007	2006
	US$	US$
Approved and contracted for	21,351	27,178
Approved but not contracted for	7,270	-
	28,621	**21,178**

26. Contingent Liabilities

Legal notice number 89, dated 4th June 2001, issued by the Government of Kenya to the African Trade Insurance Agency, states that staff salaries, emoluments, indemnities and pensions in relation to their service to the Agency are exempt from taxation. In the Agency's interpretation of this notice, this exemption extends to Kenyan staff of the Agency. Pending the confirmation by the relevant Kenyan authorities of the Agency's interpretation, no provision for tax under the Pay As You Earn has been made in these financial statements.

African Trade Insurance Agency
Kenya Re-Towers, 5th Floor,
Capital Hill Road, Upperhill.

Mailing Address: P. O. Box 10620, 00100,
Nairobi, Kenya.

Telephone No: + 254 20 2719727
+ 254 20 2726999
+ 254 722 205007
+ 254 733 625511

Fax No: + 254 20 2719701

www.ATI-ACA.org