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

Annual Report and Accounts 2008

Our Vision

To transform Africa into a prime trade and investment destination hub.

Our Mission

To turn African risk into opportunity by providing Insurance and Financial products, in partnership with the private and public sector.

Our Values

We always strive to carry out our business with a customer-first approach, combined with integrity, creativity, unity of purpose and an attitude of getting it right the first time.

Our Products and Services

ATI's current range of Insurance Products include the following:

- Comprehensive Non-Payment Insurance Cover for Private, Parastatal and Sovereign Obligors
- Inter and intra-regional and Domestic Credit Insurance
- Mobile Assets Cover
- Political Risk Insurance for Trade and Investment (short, medium and long term)
- Political Violence, Civil Disturbance, Terrorism and Sabotage Insurance
- Unfair Calling of Bonds Cover

Key

ATI	African Trade Insurance Agency
ACA	Agence pour l'assurance du commerce en Afrique
AGM	Annual General Meeting
CGIC	Credit Guarantee Insurance Corporation (South Africa)
DCA	Development Credit Agreements
DRC	Democratic Republic of Congo
EFIC	Export Finance and Insurance Corporation
ERM	Enterprise Risk Management
FDI	Foreign Direct Investment
GWP	Gross Written Premium
HCA	Host Country Agreement
IBRD	International Bank for Reconstruction and Development
ICT	Information Communication Technology
IDA	International Development Association
IFC	International Finance Corporation
MIGA	Multilateral Investment Guarantee Agency
MW	Mega Watt
NUI	Net Underwriting Income
OFID	OPEC Fund for International Development
OPIC	Overseas Private Investment Corporation
PRI	Political Risk Insurance
PSFU	Private Sector Finance Unit
USAID	United States Agency for Development
WTO-CRI	Whole Turnover Credit Risk Insurance

Contents

Gross Exposure in US Dollars

+86%

2008	112,993,272
2007	60,754,582

Total Income in US Dollars

+20%

2008	3,807,658
2007	3,180,061

Net Income in US Dollars

+110%

2008	265,358
2007	126,276

Fiscal Year 2008 Highlights

- Increased Shareholder's Paid in Capital from US$46 million to US$86 million
- Generated a record Gross Written Premium of US$1.9 million
- Provided medium-long term political and credit insurance for transactions valued at over US$400 million and Whole Turnover Credit Insurance supporting exports worth over US$95 million
- Assigned Insurer Financial Strength and long-term Counterparty Rating by Standard and Poor's of "A"/Stable
- Opened a second field office in Zambia to continue the Agency's expansion into African Member States
- Bound a ground breaking Political Violence/Civil Disturbance - Excess of Loss reinsurance treaty for a major Kenyan domestic insurer
- Bound the Agency's first Single Obligor Credit Risk Insurance policy
- Bound a record 26 policies (including one reinsurance treaty)
- Issued ATI's first reinsurance policies on joint projects to the Multilateral Investment Guarantee Agency (MIGA), a part of the World Bank Group and the Export Finance and Insurance Corporation (EFIC) of Australia
- Reinsured the Agency's first two policies with Africa Re

MESSAGES FROM ATI

Board of Directors

From left to right: Gérard Niyibigira, Sindiso Ngwenya, Israel A. Kamuzora, François Ngarambe, Dr. (Eng.) Cyrus Njiru, Dr. James S. Mulungushi, Michael Olupot Tukei, (absent) Robert Bayigamba.

Members of the Board

Israel A. Kamuzora, Sindiso Ngwenya, Dr. (Eng.) Cyrus Njiru, Robert Bayigamba, Michael Olupot Tukei, Dr. James S. Mulungushi

Alternate Members

Basil Saprapasen, Gerard van Brakel, Gérard Niyibigira, Isaac Awuondo, François Ngarambe, Irene Kego, Chris Kapanga

Message from the Chairman of the Annual General Meeting

> In this environment of reduced access to finance, I predict that intra-regional trade and investment will be key to Africa's economic growth.
>
> **~ Fred Jachan Omach, Chairman of the General Meeting**

Fiscal year 2008 has been very challenging for African businesses in light of the global financial crisis. In particular, the second half of the year saw the crisis begin to take hold and it became apparent that the global economy was sliding into recession.

Despite the downturn, I am happy to report that ATI supported record levels, of over US$95 million in exports by its African Member States. On other positive underwriting developments, the Agency achieved its second record year in a row, with Gross Written Premium exceeding US$1.9 million, an 80% improvement over the previous year.

I strongly believe that ATI's robust growth during such turbulent times demonstrates that the Agency can provide risk solutions to effectively meet the evolving needs of African Member States.

In 2008, ATI continued to assist African exports with its Whole Turnover Credit Risk Insurance product. For example, protected by ATI's Whole Turnover Credit Risk Insurance policy, Kenyan exporters shipped US$47 million worth of vegetables to Belgium, South Africa and the United Kingdom, while in Tanzania the Agency covered US$3.5 million in cotton and textile exports to Portugal, Rwanda, Columbia, China and Italy.

While advanced and emerging economies have borne much of the brunt of the global financial crisis during its initial onset, African countries have not been spared its impact. For most ATI African Member States, growth forecasts for 2008 had to be revised downwards, reflecting the impact of the crisis on key parameters of these economies, including foreign direct and portfolio investments. For most ATI African Member States, growth forecasts for 2008 had to be revised downwards reflecting the impacts of the global crisis on key parameters of these economies, including foreign direct and portfolio investments.

MESSAGES FROM ATI

> There are indications that demand for political and credit risk insurance will continue to grow.
>
> **~ Fred Jachan Omach, Chairman of the General Meeting**

Growth forecasts for sub-Saharan African countries have recently been downgraded by 1-2 percentage points by the IMF for 2009 and 2010 and experts predict a further tightening of access to foreign investment, bank lending and global capital markets throughout the rest of 2009.

We are committed to continue playing an effective role in helping businesses in our Member States to cope with adverse developments in the market place and to protect our hard won gains.

There are indications that demand for political and credit risk insurance will continue to grow as investors and exporters and, in particular their funding banks, become ever more risk averse in the current global climate.

To meet this demand, I will champion ATI's three-year growth strategy, which targets decentralisation, expansion and leveraging its considerable comparative advantage to strengthen relationships with local, regional and international industry players. Decentralisation will bring us closer to our clients, which will be crucial in continuing to provide targeted solutions that effectively meet their needs.

Fiscal year 2008 also saw the first green shoots of an expanded membership in the Agency of both potential and African Member States and non-African Members. This expansion will bring with it increased capital and opportunities for Members to continue building intra-regional trade amongst themselves and international trade and investment with others.

In this environment of reduced access to finance, I predict that intra-regional trade and investments will be key to Africa's long term economic growth and importance in the global economy.

Building on this expansionary trend, I am pleased to report that the Republic of Ghana applied for membership of ATI in December, 2008, to become the fourteenth African Member State to join ATI.

Ghana is part of a wider membership expansion, to be supported by the International Development Association of the World Bank and the African Development Fund, and will include a group of countries, which are being targeted for membership during the next three years.

I wish to congratulate Mr. Peter M. Jones, the Chief Executive Officer of the Agency, on being renewed in his position for an additional three years to January, 2012 by the General Meeting of the Agency, in October, 2008. I would like to recognize the efforts of the CEO and the management in steering the Agency toward steady growth in difficult and uncertain times. I am sure the confidence placed in him by the General Meeting will be evidenced by the continued growth and success of the Agency during this period.

Our aim in fiscal year 2009 is to remain focused on enhancing the level of our services and working hard to meet the evolving needs of our clients. I wish to thank our partners and shareholders for their unflinching support and I am confident that with their continued assistance, ATI has a sound and bright future.

THE HONOURABLE FRED JACHAN OMACH
Chairman of the General Meeting

Message from the Chairman of the Board of Directors

> As the new Board Chairman, my commitment is to safeguard ATI's successes and to build an even stronger client-driven organisation.
>
> **~ Israel Kamuzora, Board Chairman**

As the incoming Chairman of the Board of Directors, I am grateful for the confidence that the Board has bestowed on me, giving me the opportunity to serve as Board Chairman for the next three years.

Our immediate past Chairman, Mr. Astère Girukwigomba did an excellent job in providing leadership to the Agency from its early beginnings until the end of 2008, by which time ATI had established itself as a fully fledged and profitable credit and investment insurer. On behalf of the Board, I wish to thank Astère for his dedicated service to the Agency and wish him well in his future endeavours.

As the new Board Chairman, my commitment is to safeguard ATI's successes and to build an even stronger client-driven organisation that will continue providing local, regional and international solutions to the continent's trade and investment challenges.

Fiscal year 2008 provided an example of these unique solutions through the provision of the Agency's first ever Excess of Loss Treaty covering Political Violence and Civil Disturbance for a major insurance company in a Member State. This treaty was provided in partnership with both regional and international reinsurers.

My involvement with ATI as a Board member during the last six years has been very rewarding. I have observed the Agency successfully adapt and grow in an ever changing market. This experience will assist me as we endeavour to take ATI to the next level of achievement, where it becomes a truly

> In 2008, ATI covered projects in a variety of sectors including power generation in Kenya and textiles and palm oil exports from Tanzania.
>
> ~ **Israel Kamuzora**

pan-African institution, committed to playing an ever more effective role in facilitating trade and investments within and into Africa.

We have already built a strong foundation and a solid reputation with our African Member States, investors, banks, exporters, reinsurers and insurance brokers of which we can justifiably be proud.

In fiscal year 2008, ATI covered projects in a variety of sectors that supported the economies of Member States including power generation in Kenya, textiles and palm oil exports from Tanzania, mining and housing in the Democratic Republic of Congo, mining and the exportation of vegetables in Zambia; with many more transactions in the pipeline for all our Members as the need for the Agency's products and services continues to grow across Africa.

The key to successfully identifying the enormous trade and investment opportunities available within Africa and to ensure the highest standard of client support and service, will be to bring our business closer to where our customers and partners are located. To achieve this objective, ATI will continue its strategy of decentralisation and expansion, which will see the Agency continue to reach into more Member States and obtain greater market visibility through the opening of field offices.

I am pleased to report that in fiscal year 2008, ATI's achievements have been demonstrated through its business success, where the Agency continued to set records. For example, ATI doubled its net profit when compared to fiscal year 2007, and achieved a Gross Written Premium of over US$1.9 million. ATI also effectively completed its capital restructuring during the year increasing paid in equity capital from US$46 million to US$86 million.

Our successes in fiscal year 2008 are due in large measure to our clients, donors and partners. I would like to thank them for their continued commitment and support. I would also like to congratulate the Chief Executive Officer, Mr. Peter M. Jones on the renewal of his contract for a further period of three years. This is a reflection of both the Board's and indeed the General Meeting's confidence in his stewardship of the Agency.

As we look forward, beyond fiscal years 2008 and 2009, I am confident that ATI will continue to successfully play a growing and effective role in meeting the needs of its Members and clients and in becoming a truly pan-African institution committed to the growth and development of regional and international trade and investment.

ISRAEL KAMUZORA
Chairman of the Board of Directors

Message from the Chief Executive Officer

> ATI's role during these turbulent economic times is to help calm the perception of increased risk and encourage the flow of foreign direct investment into Africa.
>
> **~ Peter M. Jones, Chief Executive Officer**

As I travelled throughout our African Member States in 2008, I was struck by how much the demand for our products has increased. Even more importantly, I saw the positive impacts of the trade and investment projects supported by the Agency on the lives and prosperity of the average men and women on the ground in Africa.

In the DRC, which is a country seeking to overcome the problems created by conflict and associated economic instability, the Agency's support for projects in the mining, agricultural, telecommunication and housing sectors are helping the government to rebuild and strengthen the economy.

For example, a major mining project located in the copper belt of the DRC, where ATI provided insurance cover for a foreign direct investment loan and equity, has rehabilitated primary and secondary roads, supplied chlorine to the local sanitation department during an outbreak of Cholera, constructed micro health clinics and started anti-Malaria and HIV/AIDS programmes in the community. Overall, the project sponsors have spent in excess of US$4 million in support to the local community.

Similarly in Kenya, Uganda and Zambia, the Agency has protected flower and vegetable exporters against the potentially disastrous impact on their business and employees of non-payment by their buyers in Europe, the United States and the Middle East. Last year, we also helped to resolve a buyer dispute on behalf of one of our flower exporters, providing great comfort to the company.

Stories like these, in which ATI is helping economies survive the global economic crisis, were played out across all our African Member States last year as the Agency stepped in to provide local, regional and international solutions to domestic challenges.

Outside Africa, the Agency also helped protect investors and contractors and their lenders, from such diverse places as the Netherlands, the United States and Israel to manage their risk and prudently conduct business in Africa.

ATI's role, particularly during these turbulent economic times, is to protect international and regional investors and domestic exporters from real and perceived risks, in order to facilitate the continued flow of trade and investment within and across Africa. We expect that these activities will help calm the perception of increased risk and thus encourage the flow of foreign direct investment into Africa.

As I reflect back on fiscal year 2008, I am also pleased to report that our business results and financial standing continue to climb upwards despite the global economic downturn. Our success in 2008 was capped by a strong credit rating of an "A"/Stable for both its Insurer Financial Strength and long term Counterparty ratings awarded by Standard & Poor's.

ATI broke significant business records in fiscal year 2008. Our sustained growth was reflected in several areas. The Agency generated a Gross Written Premium increase of 80% to over US$1.9 million, a 253% increase in our Net Earned Premium to US$754,705, and our Net Underwriting Income increased by 217% to US$819,730.

Fiscal year 2008 also saw noteworthy milestones set by the Agency, demonstrating its flexibility and innovation to create tailored products that satisfy client demand. The first ground breaking policy was a Political Violence – Excess of Loss Reinsurance Treaty for a major Kenyan insurer, while the other was a Single Obligor Credit Risk Insurance policy for an Israeli telecommunication equipment supplier to the DRC.

In addition to these innovative product offerings, the Agency bound a record number of 25 policies and one reinsurance treaty, up from 17 policies in the previous year reinsurance.

In fiscal year 2009, ATI is taking several steps to prepare for an increasing demand for its products and services. Key to our preparations will be a three-year growth strategy, as outlined in our business plan, which covers the period from 2009–2011.

ATI's growth strategy uses a three-pronged approach, focusing on: **Expansion** within and outside Africa to increase investment and trade flows and regional integration; **Decentralisation** within Africa to increase market penetration; and **Leveraging ATI's Comparative Advantage** (which includes World Bank funding support and convening power, Standard & Poor's Long Term "A" Stable rating and full capitalisation) to strengthen and build relationships with private and public investment and credit insurers, commercial banks and development banks.

To prepare for an upswing in business, ATI will also implement new information and technology systems, specifically for the Short Term Whole Turnover business. This should help us serve our clients more efficiently and effectively.

To underpin our already sound risk management practices, we are just about to finish the work of developing and implementing an Enterprise Risk Management framework that will bring us in line with the market's best practices. Coupled with a recruitment policy geared to attracting the best talent in the market, I believe we are on course to achieve another successful year in 2009.

The exceptional results recorded in fiscal year 2008 were achieved in a challenging environment. I commend the efforts of the ATI Board of Directors, management and staff, who worked tirelessly to ensure the positive outcomes reflected in our balance sheet.

Given the momentum we've gathered over the last two years, I am confident that in fiscal year 2009, ATI will continue to maintain its solid growth in profitability and consolidate its reputation as Africa's investment and credit insurer.

PETER M. JONES
Chief Executive Officer

Our Staff, Our Strength

At ATI we pride ourselves on our ability to attract the best talent in the global market, on our diversity and our core business values. Hailing from Burundi, Canada, Italy, Kenya, Malawi, Tanzania, Uganda, The United Kingdom, Zambia and Zimbabwe, ATI staff can offer customers a range of perspectives that will always ensure they provide the best risk solution to fit the client's needs. Our staff work hard to maintain ATI's core values placing the client first, working with integrity, ensuring creativity, unity of purpose and always striving to get it right the first time.

> I commend the efforts of ATI staff, who worked tirelessly to ensure the positive outcomes reflected in our balance sheet in fiscal year 2008.

~ Peter M. Jones,
Chief Executive Officer

YEAR IN REVIEW

Repositioning to meet global challenges

As the global recession deepens, demand is also expected to weaken and a US$100 billion shortfall in trade finance is predicted for 2009. As of the first quarter 2009, The World Trade Organization estimates that global trade volumes will shrink by 9%, levels not experienced for more than two decades.

For Africa, the challenges are compounded by low access to global capital, reliance on sectors that are vulnerable to global pricing shocks and little access to protection against trade, investment and buyer defaults.

Sectors such as agriculture, floriculture, textiles and oil and gas are crucial to the economies of many African countries and in the current economic climate, they are among the most vulnerable.

Leading African institutions have also echoed the same conclusions regarding the potential impacts of the global financial crisis on African economies. At the historic Tripartite Summit of Heads of State held in October 2008, the final communiqué of the twenty-six participating countries called for a collective action to help African countries adopt effective remedial measures to mitigate the risks to African exports, tourism, foreign direct investment and employment.

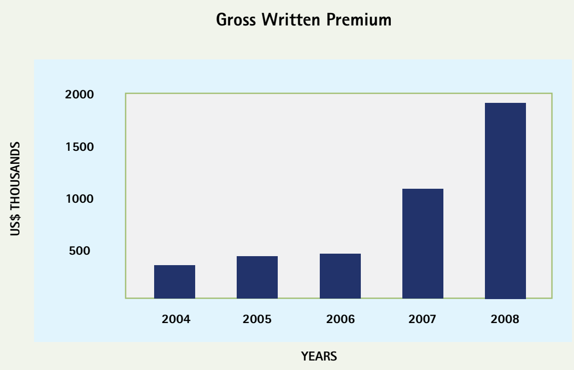
The Summit established the framework for members to begin building Africa's largest Free Trade Area, which will include a combined population of 527 million and US$ 625 billion in GDP.

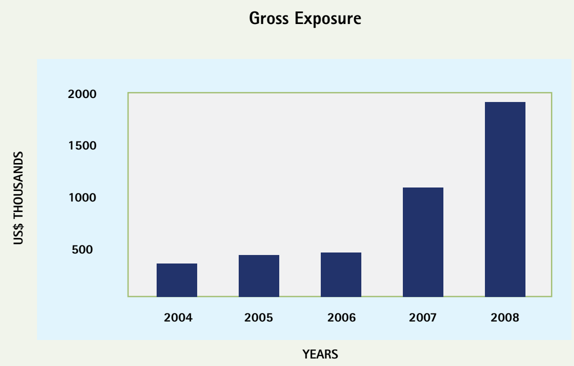
These broader regional developments dovetail with the Agency's overall strategy to ramp up its business to more countries within Africa. ATI's aim in fiscal year 2009 is to position itself, to underwrite more deals that will protect its clients as global demand for credit and political risks increases and appropriate insurance cover in the markets becomes scarce.

Fiscal year 2008 saw increasing demand from clients as they sought to reassure their overseas counterparts to maintain existing credit lines and to avoid escalation of charges due to declining confidence.

In addition to our broad range of products and services:- Foreign Direct Investment Insurance, Lenders Cover, Unfair Calling of Bonds Insurance, Comprehensive Credit and Trade Insurance Cover, Political Risk Insurance, Political Violence, Sabotage and Terrorism Insurance and Project Loan and Asset Cover - ATI will also expand its range of customised products as local market conditions evolve.

ATI's strong business growth will require more due diligence and risk assessment to maintain its high standards of underwriting sound





ATI's aim in fiscal year 2009 is to position itself to underwrite more deals that will protect its clients as global demand for credit and political risks increases and appropriate insurance cover in the markets becomes scarce.

policies. To underscore this point, the Agency's gross and net exposure increased by 86% in fiscal year 2008, to US$113 million and US$68 million respectively. Although these figures were directly related to the increase in the number of policies issued and renewed, they underline a need for prudence as the business continues to grow.

The Agency predicts the global economic crisis will continue until at least early 2010, all the while deepening its full impact on commerce and international trade and investment.

ATI expects the crisis will continue to have significant negative impacts on businesses and banks throughout 2009, posing significant challenges to underwriters in handling new risks and managing existing exposures.

To counterbalance these negative impacts, the Agency will rely on its experience and track record in the region to give clients peace of mind as it continues to supply products and services to help customers weather the financial storm.

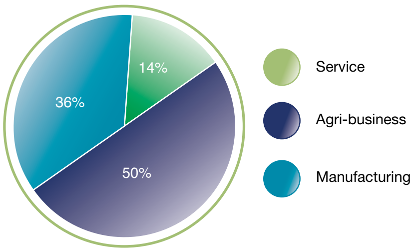
Since writing its first policy in 2003, ATI has supported more than US$1.2 billion in investment and trade transactions, of which US$205 million was in support of exports from African Member States. ATI remains fully committed to providing products and services that will protect African trade and investments.

FOCUS ON THE FUTURE

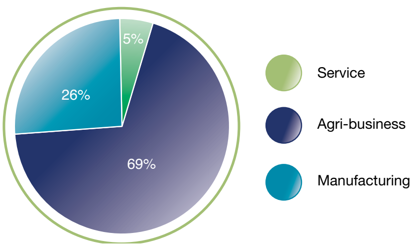
The Agency's business and financial priorities for the next three years are outlined in its three year business plan (2009–2011), which was approved by the Board of Directors in December 2008. ATI's three-year plan aims to substantially increase the Gross and Net Exposure for investment insurance products as well as to support up to US$1 billion of annual exports and imports by the end of 2011 with the Short Term Whole Turnover Credit Risk Insurance product.

In order to achieve these targets, the Agency plans to expand its membership of African countries. Membership expansion will help the Agency meet the continent's growing trade needs arising out of regional integration. Expansion will

2007
Whole Turnover Credit Risk Insurance Gross Exposure by sector



2008
Whole Turnover Credit Risk Insurance Gross Exposure by sector



ATI's three year strategy aims to support up to US$1 billion of annual exports and imports by the end of 2011.

also help ATI sustain foreign direct investment and export trade in both its existing and new African Member States.
To help fill the demand, ATI and the World Bank will target three types of members. First, responding to the need for additional capital for existing members whose economies show significant demand; second, completing the membership of African countries that have been accepted into membership; and third, focusing new membership activities on key countries in West, Central, North and Southern Africa to further develop regional and trade investments within the continent.

ATI will also target key partners from International Financial Institutions, non-African States and the world of private financial institutions that have a focus on supporting and growing trade and investment in Africa.

The Agency plans to continue strengthening its information and technology systems. Specifically, ATI will introduce a new underwriting system for Short Term Whole Turnover Credit Insurance to support the forecasted growth in business. The Agency sees great potential in this class of business, which requires the highest degree of automation and the ability to speed up the application process to provide timely decisions on credit applications.

INNOVATIVE PRODUCT SOLUTIONS

Political Violence Cover

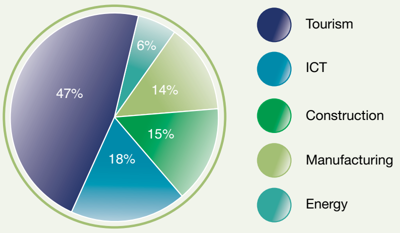
In early 2008, Kenya was hit by unexpected political violence and civil disturbance, which was widely reported in the international media. These types of risk are normally excluded from commercial insurance coverage as it is, by its very nature, difficult to anticipate and is very often planned rather than being random.

As a result, many insurers in Kenya declined claims lodged with them on the basis of political violence losses and those insurers that did pay claims, in whole or in part, generally found that they could not recover such payments from their reinsurance partners.

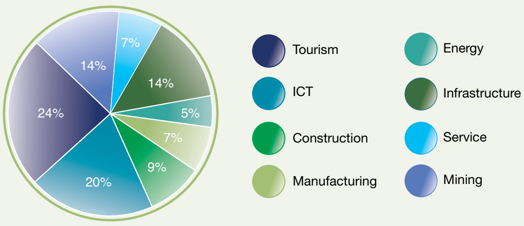
After witnessing this critical gap in cover, the Agency stepped in to assist. In partnership with the market, ATI established an historic Political Violence, Civil Disturbance, Sabotage & Terrorism Excess of Loss Reinsurance Treaty for a major Kenyan domestic insurer. The treaty was placed in collaboration with Africa Re and Zep Re, and with the support of Lloyd's of London. It was truly a local, regional and international response to a domestic problem.

This capability has been extremely well received in the market. The Treaty allows domestic insurers to offer this type of cover to their retail and commercial customers at a reasonable price, it has also prompted other insurers to consider

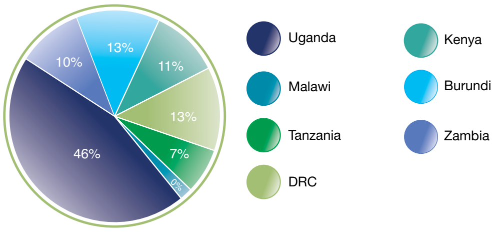
2007
Political Risk Insurance Gross Exposure by Sector



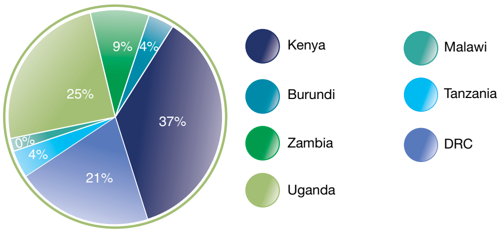
2008
Political Risk Insurance Gross Exposure by Sector



2007
Political Risk Insurance Gross Exposure by Country



2008
Political Risk Insurance Gross Exposure by Country



this product both through ATI and directly with other reinsurers. The Agency plans to introduce this product into markets within other Member States.

Single Obligor Credit Risk Insurance

ATI bound its first Single Obligor Credit Risk Insurance policy in July, 2008. Single Obligor Credit Risk Insurance is a specialist product in trade credit insurance. ATI bound the policy for an Israeli telecommunication equipment supplier covering the risk of non-payment by their customers in the DRC for the design, supply, construction and installation of cellular base stations. It is expected that this new product will also be rolled out in other Member States during fiscal year 2009.

ATI Continues to Protect Clients

Following the payment of its first three claims in 2007, the Agency paid a further claim at the beginning of 2008, which protected a Kenyan based flower exporter against the protracted default of payment by one of its European buyers.

This is an excellent example of how the Agency's products protect local exporters from the adverse impact of losses occurring outside their control.

ATI expects the credit crunch to produce significantly more demand by exporters within the region, particularly in the agricultural and floricultural sectors. Due to falling global prices, weak demand and lack of access to investment capital, these sectors may be at higher risk of failure as they typically lack protection against such global shocks. ATI is now more than ever prepared to support regional exporters in these vital sectors.

PARTNERING FOR GROWTH

In fiscal year 2008, ATI continued its drive to expand business and membership, decentralise for greater market penetration within the region and leverage its comparative advantage within the industry.

The push for membership expansion is just now bearing fruit as Ghana applied for membership in late 2008. The Agency expects a number of additional African States to have applied for membership by the time of the Annual General Meeting in May 2009.

Protecting Transportation

It is also expected that at least three public and private financial institutions will have applied for membership in time to be considered by the Annual Meeting.

Beyond membership expansion, fiscal year 2008 also saw ATI leverage its comparative advantage to build stronger relationships with regional and international, private and public investment and credit insurers. Transactions with these partners included an environmentally safe geothermal power plant in Kenya, designed to relieve the country of severe power shortages and its dependency on energy imports and thermal energy. For this project, ATI reinsured the Multilateral Investment Guarantee Agency to protect the investor against Currency Transfer Restrictions, Expropriation and War and Civil Disturbance.

Other partnerships with public investment and credit insurers included ATI reinsurance cover to support Australia's Export Finance and Insurance Corporation (EFIC) for a mining project in Zambia.

Last year, the Agency also reinsured its first two projects with the African Reinsurance Corporation.

As ATI prepares to meet the expected increase in demand for its products in fiscal year 2009, the Agency will continue relying on its strong partnerships and networks with organisations like the Common Market of Eastern and Southern Africa (COMESA). ATI shares with COMESA a commitment to support the economies of their shared Member States. For ATI, this commitment is reflected in the risk solutions and equity it provides to African Member States for projects that will accelerate job growth, and stimulate regional trade and investments.

During the next phase of expansion, expected support from donor partners such as the International Development Association, the African Development Fund and the European Union will be an invaluable asset. Ongoing reinsurance support from long-standing industry partners such as Atradius Re, Lloyd's of London, Sovereign Risk of Bermuda and Zurich Insurance will also be important in helping ATI to continue offering new and customised products that are well structured and flexible enough to meet the changing needs of clients.

REGIONAL HIGHLIGHTS

Second Field Office Opened in Zambia

The Agency's ongoing push to decentralise operations became a reality in Lusaka, Zambia in December, 2008, with the opening of ATI's second field office. Thanks to the European Commission and USAID in Zambia for their invaluable financial and technical support in helping to make this possible.

The Zambian field office opened to offer the local economy greater access to its products. Zambian horticultural exporters, who have been adversely impacted by the global credit crunch, have benefited. Falling prices and low demand in primary export markets in the United States and Europe have left the local industry with negative profit margins. To support the industry, ATI will tailor its trade and credit insurance products to protect Zambian exporters against any losses incurred

by non-payment of their buyers.
Field offices are central to ATI's strategy to bring marketing and underwriting activities closer to clients – with the ultimate goal of providing better service and availability of products in local markets.

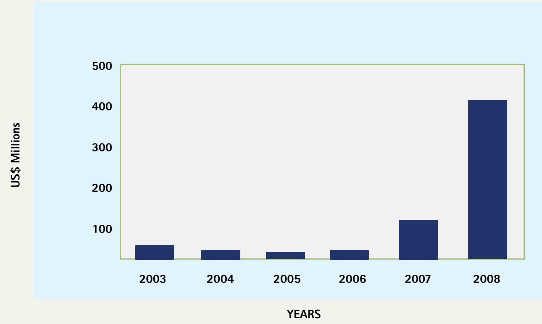
The field office in Lusaka, Zambia, is located in the Zambia Development Agency.

Continued Strong Growth in ATI Business within the Region

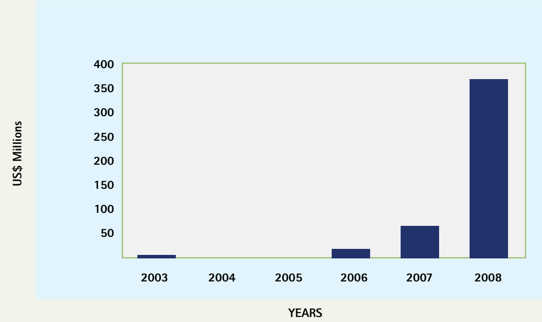
Fiscal year 2008 was a dynamic year for ATI's business development. As the Agency continued to support the economies of African Member States by shoring up investment projects and trade flows across various sectors, it also recorded new milestones:

- ATI wrote its first ever Terrorism and Sabotage reinsurance treaty in Kenya and its first Investment Risk reinsurance policy to EFIC of Australia;
- Helping to facilitate trade within the region, ATI supported the financing by South Africa's IDC for a local tool rental company's expansion into Malawi;
- ATI provided cover against the Non-payment of Sovereign Obligor for companies and banks from countries as diverse as Israel, the Netherlands and France; and
- The Agency protected the exports of local African companies shipping their products to Europe, the Middle East, North America and Asia.

Transaction Value of Political Risk Insurance Policies Issued by ATI



Transaction Value of Terrorism & Sabotage Insurance Policies Issued by ATI



As the availability of credit continues to tighten globally, ATI's role in mitigating investors' fears to help Africa attract much needed foreign direct investment will become even more vital in fiscal year 2009. Increasing enquiries and pipeline projects at the end of fiscal year 2008 are expected to be reflected in strong results in 2009.

Protecting Textiles

Selected ATI Projects in Fiscal Year 2008

COUNTRY	INSURANCE TYPE	PROJECT
BURUNDI		During fiscal year 2008, the Agency maintained its momentum in seeking to support investment and trade in Burundi. Several pipeline projects are expected to finalise in 2009, among them, a substantial investment in the information technology sector.
DEMOCRATIC REPUBLIC OF CONGO (DRC)	Political Risk Insurance for Loans	One of the main challenges facing the DRC is its ability to attract foreign direct investment in the aftermath of civil war. In fiscal year 2008, ATI helped the DRC attract valuable investments into the mining, housing, and telecommunications sectors, all key areas in the country's reconstruction efforts. **Project: Housing** **Maximum Sum Insured: US$600,000** This project provides much needed housing following the recent armed conflict. The project sponsor completed construction of 24 apartments, 14 shops and related infrastructure in Gombè. Using ATI insurance cover, the project will support the construction of a second phase of housing. As part of the DRC's reconstruction efforts, this project contributes to the government's short-term priorities under the National Housing Plan of action, which includes reconstructing destroyed infrastructure, resettling displaced people and rehabilitating poor urban settlements. To meet its housing reconstruction targets, the government appealed to the international community. ATI responded with Political Risk Insurance covering 100% of the project cost, helping to alleviate the housing shortage in the DRC.

Protecting Minerals

Selected ATI Projects in Fiscal Year 2008 CONTINUED

COUNTRY	INSURANCE TYPE	PROJECT
DEMOCRATIC REPUBLIC OF CONGO (DRC)	Political Risk Insurance for Loans	**Project: Copper Mining** **Maximum Sum Insured: US$83.9 million** The DRC's copper belt has the potential to generate significant tax and foreign exchange earnings, provide jobs and help to improve basic infrastructure. The DRC, in a move to rebuild its economy, solicited the help of global partners to develop its vast mineral resources. This US$500 million project, located in the copper belt of Central Africa, is potentially the world's largest and lowest cost cobalt producer generating 30,000tpa of copper and 5,500tpa of cobalt. With ATI insurance cover for the full equity, South Africa's Industrial Development Corporation was able to contribute to the project and help the DRC generate much needed jobs and income. In addition to building a medical clinic, housing and health education programmes, the project will employ upwards of 750 people once completed.
	Non-payment by Private Buyer	**Project: Telecommunications** **Maximum Sum Insured: US$5.5 million** In 2002, the telecommunications industry in the DRC was the least developed in the region with 10,000 fixed lines and 1 million cellular phones for a population of close to 60 million. By 2003, cellular phones were the primary means of telecommunication. They became a life line to many, particularly those living in rural communities. Since 2003, the market has expanded rapidly with an influx of companies vying for market share. The local subsidiary of a leading cellular network provider in Africa found themselves in this predicament. The company wanted to maintain and grow market share in the DRC by expanding their network. To achieve this, they needed help to design, supply, construct and install cellular base station sites across the country. An Israel based international Group and a long term partner of theirs, who provide telecom services to giants like Nokia, Siemens, Ericsson and Samsung, responded. To cement the partnership, ATI issued its first Single Obligor Credit Risk policy to cover the contract in the event of payment default.

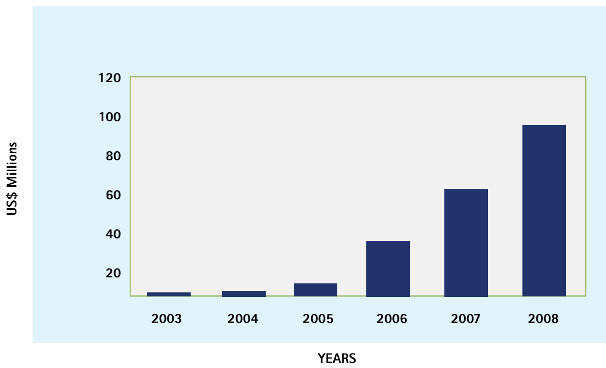
Selected ATI Projects in Fiscal Year 2008 CONTINUED

COUNTRY	INSURANCE TYPE	PROJECT
DEMOCRATIC REPUBLIC OF CONGO (DRC)	Political Risk Insurance for Equity	**Project: Copper Mining** **Maximum Sum Insured: US$125,000** This project shows how even a small venture can have direct and positive impacts on a country's socio-economic welfare. The project supports FDI flows into the DRC and in doing so paves the way for additional investments. Armed with a three-year ATI Political Risk Insurance policy covering the full project investment, a UK-based company was comfortable investing in a precious minerals trading business in the country.
KENYA	Political Risk Insurance for Equity	**Project: Geothermal Power Plant** **Maximum Sum Insured: US$5 million** Power shortages and lack of supply to meet demand has hampered Kenya's economic growth. A mere 15% of the population has access to electricity, and there are numerous blackouts and long-waiting lists for connection. The geothermal power plant is designed to relieve severe power shortages, decrease the country's dependency on energy imports and thermal energy and to reduce green house gas emissions. The plant, with a combined capacity of 48 MW, uses environment-friendly geothermal energy to generate electricity rather than the less green hydrocarbons, producing low to nearly no green house gas emissions. ATI provided reinsurance to the Multilateral Investment Guarantee Agency, a member of the World Bank Group to help protect the investor against the risks of Currency Transfer Restrictions, Expropriation and War and Civil Disturbance.
	Whole Turnover Credit Risk insurance	**Project: Chemical Exports** **Maximum Sum Insured: US$2.1 million** Many regional companies can suddenly see their business grow and evolve to levels that require additional funding. This is the case with a Kenyan company, which imports, markets and distributes chemicals on behalf of a number of global companies. The company's business model in the industrial chemicals segment has evolved to where they need to sell directly to their end-customers in Kenya, Mozambique, Tanzania and Uganda. To cover these buyers in East Africa, the company obtained a US$5 million trade finance facility from a regional bank. ATI supported the deal by supplying US$2.1 million worth of Credit Risk Insurance.

Selected ATI Projects in Fiscal Year 2008 CONTINUED

COUNTRY	INSURANCE TYPE	PROJECT
KENYA	Sovereign Buyer Non-payment Cover	**Project: Health Sector, Hospital Rehabilitation** **Maximum Sum Insured: US$642,000** One of the largest hospitals in Kenya needed to expand its intensive care services to accommodate demand. To complete the expansion, the hospital required a new Intensive Care Unit. A major Europe based electronics company supplied the necessary equipment and ATI provided insurance coverage against the risk of non-payment for the contracted purchase price.
	Construction Contract- Post Performance- Sovereign Buyer	**Project: Road Reconstruction** **Maximum Sum Insured: US$1.3 million** In the early 1990's, Kenya's economy contracted sharply. This led to very little construction and maintenance to the roads network. By 1993, the dedicated Fuel Levy Fund helped to stem the deterioration. The Kenya Roads Board attributes constraints to Kenya's economic and social development to the poor state of road infrastructure. To improve the road network, the Ministry of Roads and Public Works implemented a plan to rehabilitate at least 60 major and minor roads in Kenya. This road reconstruction project falls within the scope of the Government's plan. The road runs through the heart of the tea producing area of Kenya and will help improve transport to market one of Kenya's biggest exports. A local company with experience in civil infrastructure construction won the Government bid. Before starting construction on the 47.6 km road, the company requested insurance to protect against Non-honouring of Sovereign Obligations. ATI issued cover for the full project amount and the project was able to proceed.

Value of Exports Supported by
ATI's Export Credit Insurance Cover



In 2008, ATI helped the DRC attract valuable investments into the mining, housing and telecommunications sectors, key areas of the country's reconstruction efforts.

Selected ATI Projects in Fiscal Year 2008 CONTINUED

COUNTRY	INSURANCE TYPE	PROJECT
KENYA	Whole Turnover Credit Risk insurance	**Project: Flower Exports** **Maximum Sum Insured: US$490,000** A major flower producer has been growing and exporting T-Hybrid roses for the past 10 years. Its hydroponically grown roses are environmentally safe using liquid fertilization that is fully recycled and without any hazardous nitrates or phosphorous. Since 1996, the company has expanded its operations and exports to buyers in 13 countries in Europe, the Middle East and Asia. The company took out its first policy with ATI in 2004 to protect its sales against the risk of buyer payment default. In 2007, ATI paid a claim arising from the payment default by one of its buyers. Confident with the protection it was receiving, the company renewed its cover with ATI for a fourth time.
	Sovereign Buyer Non-payment Cover	**Project: Telecommunications** **Maximum Sum Insured: US$10.6 million** This project, which involves laying down fibre optic cable, is central to the Kenyan government's plans to revamp its telecommunication sector. The cable will cover the Central, Western, Coast and North Eastern provinces, totaling 5,000 km. Fibre optics is a medium for carrying information from one point to another in the form of light and it is much cheaper than the traditional copper form of transmission. Rapid development of the country's fibre optic network will help it achieve middle income status as laid out in the Government's Economic Blueprint, Vision 2030. Under the plan, Kenya will rival countries like India in the business process outsourcing sector. A fibre optic cable will increase Internet and data connectivity, bring down telecommunications costs and make it easier for companies to compete on the international market. It will also give access to e-learning opportunities to people in the remotest areas of the country, who might not otherwise have received any training. The Government contracted a global communications company based in France and specializing in broadband communications and convergence activities. The company was contracted to deliver, install, commission, test and provide long term technical support to the project. To cover their investment, ATI provided Payment Default by a Sovereign Obligor insurance to the company and the project is now well underway, with completion expected by the end of 2009.

Selected ATI Projects in Fiscal Year 2008 CONTINUED

COUNTRY	INSURANCE TYPE	PROJECT
KENYA	Political Violence Excess of Loss Reinsurance	**Project: Reinsurance Cover for Political Violence, Civil Disturbance, Sabotage & Terrorism** **Maximum Sum Insured: US$14.9 million** In early 2008, political and civil disturbance in Kenya and the widespread fears of economic instability led to some creative thinking by the private insurance sector. One of the leading local companies has been providing all forms of general insurance to Kenyans for more than 70 years. The company approached ATI to provide Excess of Loss Treaty reinsurance cover for Political Violence, Civil Disturbance, Sabotage & Terrorism to enable it to offer its retail and commercial customers protection against these risks, as an addition to their normal motor and property insurances. This partnership with the local insurer, supported by reinsurance from Lloyd's of London, underscores ATI's flexibility and ability to provide risk solutions in response to changing times.
MADAGASCAR		Several projects are now in the pipeline and should be reflected in fiscal year 2009 results. Companies within sectors such as the textile industry are seeking ATI Whole Turnover Credit Risk Insurance cover to protect millions of dollars worth of exports to Europe and elsewhere. As the global credit crunch continues to tighten, more and more exporters are expected to seek out risk mitigation products that allow them to continue trading safely- a fertile environment for ATI's insurance products.
MALAWI	Political Risk Insurance for Loans	**Project: SME Development** **Maximum Sum Insured: US$120,000** Small and medium sized enterprises (SMEs) drive economic growth in most countries providing upwards of one-third or more of all jobs. In Malawi, like in many other countries, SMEs are an important part of the economy. They employ more workers than large enterprises, use mainly local resources, cater to the needs of people living at or below the poverty line, and are more adaptable to client demand.

Selected ATI Projects in Fiscal Year 2008 CONTINUED

COUNTRY	INSURANCE TYPE	PROJECT
MALAWI		To facilitate SME development in Malawi, a leading South African franchisor of tool rentals, wanted to meet expanding demand outside of its borders by opening an outlet in Malawi. To finance the project, the company solicited funds from IDC, South Africa's state-owned national development finance institution. ATI supported the project by providing coverage to protect IDC's loan against political risk. IDC helps companies in 34 African countries access financing in sectors such as agro-processing, infrastructure, transport and construction. The project helped strengthen the synergies between ATI and IDC of South Africa, which are both committed to strengthening SMEs in Africa.
RWANDA		The Agency continues to build its pipeline of potential projects in Rwanda. One of these transactions is in the horticultural sector, where ATI not only foresees the potential of covering the investment and financing of this and other projects but also the support that export credit insurance for horticultural exports can provide once scale production is achieved.
TANZANIA	Political Risk Insurance for Loans	**Project: Vegetable Oil Imports** **Maximum Sum Insured: US$3.6 million** Under this unique deal, countries from two continents are working together to provide vegetable oil to Tanzania. A valuable commodity, vegetable oil is used in renewable energy products as well as for general domestic consumption in Tanzania. To cover this transaction, ATI has, in partnership with Lloyd's of London, provided Political Risk Insurance to a Netherlands-based bank since 2004. The bank finances the purchase of vegetable oil, which will be sold to buyers in Tanzania. This is the fourth policy renewal by the Netherlands-based bank. ATI is proud of this partnership and the role it plays in facilitating the flow of a much needed commodity to a Member State.

Selected ATI Projects in Fiscal Year 2008 CONTINUED

COUNTRY	INSURANCE TYPE	PROJECT
TANZANIA	Whole Turnover Credit Insurance	**Project: Textile Exports** **Maximum Sum Insured: US$385,000** The textile industry in Tanzania plays a central role in the country's economy, supplying a broad tax revenue base and employing thousands of mostly women. The trade liberalisation policies of the late 80's weakened the domestic industry as higher quality and cheaper goods from other countries entered the local market. Many plants could not survive and some languished under improper maintenance. Today the industry is seeing a revitalisation. Under the government's Privatisation Policy, companies are focusing on export markets. And they are taking over and rehabilitating old textile plants. To protect its export sales of cotton yarn to buyers in China, Columbia, Rwanda, Portugal and Italy, as well as protecting its investment in new machinery, a local Tanzanian company secured Whole Turnover Credit Risk Insurance from ATI. Though comparatively small, this project can have a major impact securing a vital industry against buyer default, a likely side effect of the global credit crunch.
UGANDA		ATI is creating a custom-made product to protect Ugandan exporters in the floricultural sector against export credit risks. The flower industry is a major employer in Uganda, particularly of women, who make up 60% of the workforce. The industry continues to experience rapid growth from US$3.6 million in exports in 1995 to over US$18 million ten years later. To help Uganda expand its share of the global market in fresh cut flowers, ATI is currently working with the flower exporters industry to create a specialized insurance product, expected to be launched by the third quarter of 2009. During fiscal year 2009, ATI also expects to be able to deliver to the Ugandan insurance industry its ground breaking product developed for Kenya in 2008 covering Political Violence, Civil Disturbance, Terrorism & Sabotage, through individual placements and through tailored reinsurance treaties.

Selected ATI Projects in Fiscal Year 2008 CONTINUED

COUNTRY	INSURANCE TYPE	PROJECT
ZAMBIA	Political Risk Insurance	**Project: Copper Mining** **Maximum Sum Insured: US$5.6 million** Africa's biggest copper reserves are in Zambia, where for the past decade the government has experienced broad gains. The project expects to become Zambia's single largest mine by output, generating over 1,500 jobs during construction and more than 1,000 once in full operation. The mine aims to produce 150,000 tonnes of copper per year and is already fulfilling its employment promise as it absorbs many laid off workers from other mines impacted by the financial crisis. Australia's Export Finance and Insurance Corporation (EFIC) issued a US$90 million Political Risk Insurance policy, covering one loan tranche as part of the US$863 million project. ATI supported EFIC alongside other public and private sector insurers by providing reinsurance cover, the first partnership between ATI and EFIC. Strengthening partnerships with export credit agencies from outside Africa, such as EFIC, is central to ATI's strategy to provide a wider range of support for investors in Africa.
	Whole Turnover Credit Risk Insurance	**Project: Agricultural Exports** **Maximum Sum Insured: US$1.7 million** The agricultural sector is steadily expanding in Zambia but high fuel costs, difficult access to financing and a difficult export market present challenges. Since 1960, a major farm near Lusaka has grown vegetables for export to international markets and, in the 1980's, it added roses to its export products. Employing 3,800 workers, the farm needed Export Credit Risk Insurance to protect itself against non-payment of its buyers in the Netherlands, New Zealand, South Africa and the United Kingdom. ATI stepped in with a Whole Turnover Credit Risk Insurance cover to protect the company's export sales.

RISK MANAGEMENT

Risk Management and Corporate Governance

In September 2008, after introducing and implementing a number of Board-approved risk management and corporate governance policies and procedures, ATI began work on an Enterprise Risk Management (ERM) framework in line with the market's best practices.

With support from the Financial Sector Reform and Strengthening (FIRST) initiative, a World Bank affiliated multi-donor grant facility providing technical assistance to promote financial sector growth, ATI along with a Canadian based consultant, Sigma Risk Management Inc, are now implementing the ERM Project (the Project). The ERM Project seeks to expand and regularly evaluate the effectiveness of internal controls, and enable ATI to move towards an agency-wide risk management system. In developing and implementing the ERM framework, ATI adopted the COSO[1] Framework in line with the approach of other Multilateral International Financial Institutions including MIGA, IBRD/IDA and IFC.

This framework encompasses:

- Aligning risk appetite and strategy – Management considers the Agency's risk appetite in evaluating strategic alternatives, setting related objectives, and developing mechanisms to manage related risks;
- Enhancing risk response decisions – Provides the rigor to identify and select among alternative risk responses, including risk avoidance, reduction, sharing and acceptance;
- Reducing operational surprises and losses – ATI gains enhanced capability to identify potential events and establish responses, reducing surprises and associated costs or losses;
- Identifying and managing multiple and cross-enterprise risks – ATI, like every enterprise, faces a myriad of risks affecting different parts of its business. This tool facilitates effective response to the interrelated impacts, and integrates responses to multiple risks;
- Seizing opportunities – By considering a full range of potential events,

From a Risk Management Capacity perspective, the Agency currently operates from a position of stability, assessed by Sigma Risk Management Inc. to be close to level 3 normalised in the "Hillson Risk Maturity Model".

1. Committee of Sponsoring Organisations, an international committee that promulgates business and accounting standards and guidelines. Its ERM framework is widely used.

Set forth below is a brief summary of the outputs of the three phases.

Phase I

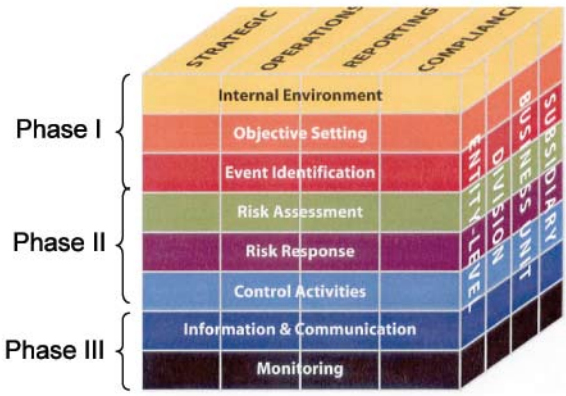
At the end of the first phase, the Agency defined its risk tolerance/appetite, drafted and submitted for approval to the Board of Directors through the Finance and Audit Committee the ATI ERM policy, agreed on an ERM Organisational Chart with assigned ERM responsibilities, adopted six risk categories (1. business risk; 2. organizational risk; 3. operational risk; 4. insurance risk; 5. credit risk; and 6. financial and market risk) and identified risks within each category.

Phase II

By the end of the second phase of the Project, the Agency will have assessed all risks, produced a Risk Register including likelihood and impact for each risk, plotted all of them in the Risk Tolerance Matrix to identify the Key Risks above the risk appetite curve, assigned Risk Ownership to Key Risks (Risk Response), identified alternative risk mitigation and management strategies to develop a preliminary Risk Management Framework (Control Activities).

Phase III

After completion of the last phase of the Project, the Agency will have agreed on a mitigation and control plan of each Key Risk with its Risk Owners, selected Key Risk Indicator(s) for each Key Risk, agreed on ongoing ERM reporting, ERM monitoring, ERM processes and audit trail and documentation.



Management is positioned to identify and proactively realise opportunities;

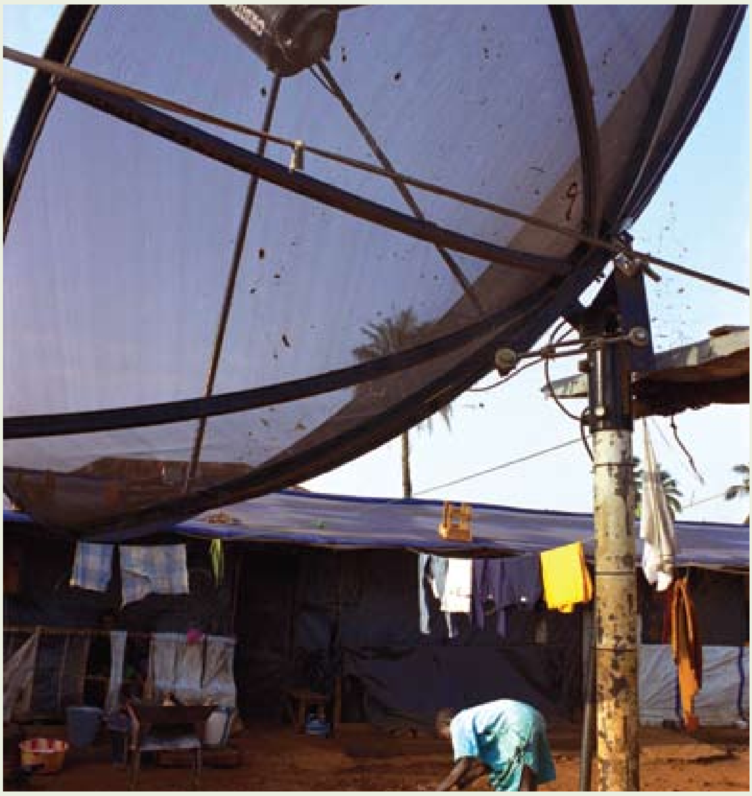
- Improving development of capital – Obtaining robust risk information allows Management to effectively assess overall capital needs and enhance capital allocation.

The ERM Project implementation has been divided into three phases, each dealing with certain parts of the COSO Framework, as illustrated in the COSO cube. This project will be completed in March 2009.

All ATI staff and management are being trained and will participate in the ERM Project implementation. The Agency's Board of Directors will continue to receive the reports produced at the end of each implementation phase of the ERM Framework.

RISK MANAGEMENT

It is noteworthy that prior to implementation of the ERM Project, the Agency had in place risk management policies and procedures for the effective and prudent management of its insurance, reinsurance and investment portfolios. These included operating policies and procedures for investments, reinsurance counter-party limits, underwriting risk limits, operations manual and insurance policy wordings. ATI, in conjunction with a London-based law firm, Clyde & Co., who have a specialist insurance practice, developed ATI's operations manuals and insurance policy wordings. In addition, the Agency entered into credit information sharing agreements with COFACE (France), Credit Guarantee Corporation of Africa Ltd (South Africa) and Sino Rating, (China).



Protecting Telecommunications

From a risk management capacity perspective, the Agency currently operates from a position of stability, assessed by Sigma Risk Management Inc. to be close to Level 3 Normalised in the "Hillson Risk Maturity Model". This is a measurement scale with 4 levels adopted by the U.S. based Risk and Insurance Management Society inc. (RIMS).

The ERM Project will continue strengthening ATI's current position and provide the Agency with a solid risk management platform to sustain its current and future business growth.

AGENCY INFORMATION

THE PRESENT MEMBERS OF THE BOARD OF DIRECTORS ARE:

NAME	MEMBER REPRESENTED	POSITION	ALTERNATE DIRECTOR
Israel A. Kamuzora	- Tanzania	- Chairman (Appointed on 15 December, 2008)	Basil Saprapasen
Sindiso Ngwenya (Appointed on 22 July, 2008) (Erastus Mwencha retired on 22 July, 2008)	- Class 'C' Members	- Vice Chairman (Appointed on 15 December, 2008)	Gerard van Brakel
Vacant (Astère Girukwigomba retired as Chairman and Director on 15 December, 2008)	- Burundi	- Director	Gérard Niyibigira
Dr. (Eng.) Cyrus Njiru (Appointed on 22 July, 2008) (David S.O. Nalo retired on 22 July, 2008)	- Kenya	- Director	Isaac Awuondo
Robert Bayigamba	- Rwanda	- Director	François Ngarambe
Michael Olupot Tukei	- Uganda	- Director	Irene Kego
Dr. James S. Mulungushi	- Zambia	- Director	Chris Kapanga (Malawi)

AGENCY INFORMATION

FOR THE YEAR ENDED 31 DECEMBER, 2008

CHIEF EXECUTIVE OFFICER

Peter M. Jones (British)

HEAD QUARTERS

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KENYA

Barclays Bank of Kenya Limited
Head Office
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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, 2008

The Directors submit their report and the audited financial statements for the year ended 31 December, 2008 which show the state of affairs of the African Trade Insurance Agency ("ATI" or the "Agency").

ESTABLISHMENT

The African Trade Insurance Agency 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. ATI has field offices in Kampala, Uganda and Lusaka, Zambia.

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 46.

	US DOLLARS
Income	3,807,658
Expenditure	(3,542,300)
Net Income	265,358

The net income for the year of US$265,358 has been added to retained earnings.

DIRECTORS

The Directors and their Alternates who held office during the year are shown on page 36.

AUDITORS

The auditors, PricewaterhouseCoopers, were appointed by the Annual General Meeting on 29 March, 2007.

By Order of the Board

ISRAEL A. KAMUZORA
Chairman of the Board of Directors
Nairobi
27 March, 2009

STATEMENT OF DIRECTORS' RESPONSIBILITIES ON THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER, 2008

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 controls relevant to the preparation 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.

ISRAEL A. KAMUZORA
Director

SINDISO NGWENYA
Director

PETER M. JONES
Chief Executive Officer

27 March, 2009

REPORT OF THE INDEPENDENT AUDITORS ON THE SPECIAL ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER, 2008

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 SDR7,200,000 (approximately US$10,000,000 before taking into account the effects of the movements in exchange rates as the Agency transacts primarily in US Dollars), to finance 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 dictated 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 deposits and replenishments 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 belong to the borrower and the remaining balances as at the end of the year.

Requests for additional draw downs of the credit advanced to the Agency 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 relevant to ensuring 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, 2008.

REPORT OF THE INDEPENDENT AUDITORS ON THE SPECIAL ACCOUNT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER, 2008

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

During the year to 31 December, 2008, management submitted SOEs' requesting for additional draw downs of US$2,224,203 against the Amended Credit Agreement. These requests related to expenditure incurred in the financial periods ended 31 December, 2006, 31 December, 2007 and 31 December, 2008. Expenses incurred for which the Agency requested reimbursement are categorised as follows:

- Consultants' Services / Training Costs; US$850,995
- Operating Costs; US$1,373,208

We reviewed, on a test basis, documentation supporting the expenses reimbursed. 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; and
- Expenditure incurred was appropriately and accurately supported by billing documents such as invoices raised by third parties; and
- Only the eligible portion of expenditure incurred was included in the request for reimbursement.

The balance in the Special Account as at 31 December, 2008 was nil (2007: nil). Disbursement of the additional draw downs for the expenses referred to above had been effected as at year end and the funds transferred to the Agency's operating bank accounts.

OPINION

In our opinion, the Special Account has been operated in accordance with the terms of the 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.

PricewaterhouseCoopers

PricewaterhouseCoopers

Certified Public Accountants
Nairobi

27 March, 2009

REPORT OF THE INDEPENDENT AUDITORS ON THE SECURITY TRUST ACCOUNTS AND INCOME ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER, 2008

INTRODUCTION

Under the various Development Credit Agreements and the Agreements Providing for the Amendment and Restatement of these Development Credits 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 Madagascar).

The funds in the Security Trust Accounts provide the Agency with the underwriting capital needed to underwrite political and commercial risk insurance, including coinsurance 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 have been or are to be fully exchanged for shares in 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 ATI Treaty;
- The Agreement Providing for the Amendment and Restatement of the Project Agreements (ATI/IDA Amended and Restated Project 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 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 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 Agreement to Amend and Partially Terminate the Security Trust Account

Agreement between the African Trade Insurance Agency, the Security Trust Account Trustees 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 relevant to ensuring that the operation of the Security Trust Accounts and the Income Accounts is 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, 2008:

- ATI Treaty;
- ATI/IDA Amended and Restated Project Agreement
- ATI/IDA Amended and Restated Development Credit Agreement
- IDA/African Member States' Amended and Restated Development Credit Agreements
- ATI/African Member States' Amended and Restated Participation Agreements
- 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; 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.

Our audit included 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, 2008.

AUDIT FINDINGS

Under the nine IDA/African Member States Amended and Restated Development Credit Agreements, the total eligible credits available from IDA to African Member States amounted to SDR 94,093,500 (US$138,230,942) as at 31 December, 2008

During the year, the Democratic Republic of Congo, Malawi, Rwanda, and Uganda met all the requirements for the legal and capital restructuring and the Amended and Restated Development Credit Agreements. Amounts disbursed to these countries through the Security Trust Accounts were therefore exchanged for shares in the Agency's common equity capital and transferred to the Agency's bank 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 had their respective Amended and Restated Development Credit

REPORT OF THE INDEPENDENT AUDITORS ON THE SECURITY TRUST ACCOUNTS AND INCOME ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER, 2008

Agreements 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, Kenya and Tanzania had already met this criterion and had their additional funds disbursed at 31 December, 2007, no additional funds were disbursed for these countries during 2008. In 2008, additional funds were disbursed for the Democratic Republic of Congo (US$4,400,523), Malawi (US$6,942,384), Rwanda (US$3,562,686), and Uganda (US$9,232,452). Zambia had fulfilled these conditions in 2007 but had its additional funds (US$2,882,248) disbursed in 2008. These additional disbursements were made available to ATI, and exchanged for common shares in, and became a part of, the Agency's common equity capital and are therefore no longer included in the balance making up the Security Trust Accounts as at 31 December, 2008.

As at 31 December, 2008, the percentage of total available credits allocated to each participating country that had already been disbursed is as follows:

- Madagascar; 100%
- Burundi, the Democratic Republic of Congo, Kenya, Malawi, Rwanda, Tanzania, Uganda and Zambia; 64%

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 Amended and Restated Project Agreement, the ATI/IDA Amended and Restated Development Credit Agreement, the IDA/African Member States' Amended and Restated Development Credit Agreements, the ATI/African Member States' Amended and Restated Participation Agreements, 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, 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

27 March, 2009

REPORT OF THE INDEPENDENT AUDITORS ON THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER, 2008

We have audited the accompanying financial statements of the African Trade Insurance Agency set out on pages 46 to 83. These financial statements comprise the balance sheet as at 31 December, 2008, 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 as at 31 December, 2008 and of its profit, changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers
<u>Certified Public Accountants</u>
Nairobi
27 March, 2009

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER, 2008

	Notes	2008 US$	2007 US$
INCOME			
Gross Written Premiums		1,917,125	1,065,473
Reinsurance Premiums Ceded		(899,631)	(539,330)
Change in Provision for Unearned Premiums		(262,789)	(312,437)
Net Earned Premiums	**5**	**754,705**	**213,706**
Commission Income	6	121,352	71,961
Investment Income	7	2,776,643	2,852,415
Other Operating Income	8	154,958	41,979
TOTAL INCOME		**3,807,658**	**3,180,061**
EXPENSES			
Claims Incurred	9		
- Gross		(13,784)	137,971
- Reinsurers' Share		13,784	(137,971)
Net Claims Incurred		-	-
Acquisition Costs	10	56,328	26,792
Administrative Expenses	11	3,349,773	2,974,204
Foreign Exchange (Gain)/Loss	12	27,221	9,034
Finance Costs	13	108,978	43,755
TOTAL EXPENSES		**3,542,300**	**3,053,785**
NET INCOME		**265,358**	**126,276**

BALANCE SHEET

AS AT 31 DECEMBER, 2008

	Notes	2008 US$	2007 US$
ASSETS			
Cash and Bank Balances		4,199,895	2,030,306
ATI Bank Accounts	14	79,839,897	7,776,306
Security Trust Accounts	14	6,582,828	51,244,463
Insurance Balances Receivable	15	773,782	453,969
Reinsurance Balances Receivable	16	56,561	66,066
Other Receivables and Prepayments	17	410,924	658,328
Reinsurer's Share of the Claims Reserve	18	50,871	73,112
Reinsurer's Share of Unearned Premium	19	540,747	317,597
Deferred Acquisition Costs	20	22,010	30,279
Property and Equipment	21	141,941	61,876
Intangible Assets	22	22,532	16,293
		92,641,988	**62,728,595**
LIABILITIES			
Insurance Balances Payable	15	167,367	220,930
Reinsurance Balances Payable	16	445,612	304,642
Other Payables and Accrued Expenses	23	311,516	387,153
Claims Reserve	18	50,871	73,112
Unearned Premiums	24	1,018,649	659,676
Unearned Ceding Commissions	25	57,056	72,318
Unearned Grant Income	26	70,300	-
IDA - Development Credit	27	7,866,260	5,642,058
		9,987,631	**7,359,889**
SHAREHOLDERS' EQUITY			
Share Capital	28	86,000,000	46,000,000
Share Premium Account	28	441,062	159,762
General Reserve	29	250,000	250,000
Underwriting Capital	30	900,000	14,161,007
Retained Earnings		(4,936,705)	(5,202,063)
		82,654,357	**55,368,706**
		92,641,988	**62,728,595**

The financial statements on pages 46 to 83 were approved by the Board of Directors on 27 March, 2009 and were signed on its behalf by:

ISRAEL A. KAMUZORA
Director

PETER M JONES
Chief Executive Officer

SINDISO NGWENYA
Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER, 2008

	Note	Share Capital US$	Share Premium Account US$	General Reserve US$	Underwriting Capital US$	Retained Earnings US$	Total US$
As at 1 January, 2007		1,300,000	–	250,000	51,244,463	(5,328,339)	47,466,124
Net Income		–	–	–	–	126,276	126,276
Net Recognised Income		–	–	–	–	126,276	126,276
Disbursement of funds	30				7,776,306	–	7,776,306
Conversion to Share Capital	30	44,700,000	–	–	(44,700,000)	–	–
Transfer to Share Premium	30	–	159,762	–	(159,762)	–	–
As at 31 December, 2007		46,000,000	159,762	250,000	14,161,007	(5,202,063)	55,368,706
As at 1 January, 2008		46,000,000	159,762	250,000	14,161,007	(5,202,063)	55,368,706
Net Income		–	–	–	–	265,358	265,358
Net Recognised Income						265,358	265,358
Disbursement of funds	30				27,020,293	–	27,020,293
Conversion to Share Capital	30	40,000,000	–	–	(40,000,000)	–	–
Transfer to Share Premium	30	–	281,300	–	(281,300)	–	–
As at 31 December, 2008		86,000,000	441,062	250,000	900,000	(4,936,705)	82,654,357

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER, 2008

	Notes	2008 US$	2007 US$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Cash Generated From (Used In) Operating Activities	31 (a)	464,712	(126,898)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Motor Vehicles and Equipment	21	(134,572)	(47,275)
Purchase of Intangible Assets	22	(19,547)	(6,473)
Proceeds from Disposal of Equipment		16,457	1,482
Net Cash Used in Investing Activities		(137,662)	(52,266)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts from IDA Development Credit	27	2,224,202	331,636
Share Capital	30	40,000,000	44,700,000
Share Premium	30	281,300	159,762
Net Cash From Financing Activities		42,505,502	45,191,398
INCREASE IN CASH AND CASH EQUIVALENTS		**42,832,552**	**45,012,234**
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY		46,890,068	1,877,834
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	**31 (b)**	**89,722,620**	**46,890,068**

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

Interpretations/Standards effective in 2008:

In 2008, the following new interpretations became effective for the first time but have not had an impact on the Agency's financial statements:

- IFRIC 11 – IFRS2 – Group and Treasury Share Transactions – from 1 January, 2008
- IFRIC 12 – Service Concession Arrangements – from 1 January, 2008
- IFRIC 14 – IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction – from 1 January, 2008
- IAS 39 and IFRS 7 – Reclassification of Financial Assets – from 1 May, 2008

Standards, Interpretations amendments to published standards that are not yet effective:

One new standard (IFRS 8 – Operating Segments) and numerous amendments to existing standards and new interpretations have been published and will be effective for the Agency's accounting periods beginning on or after 1 January, 2009, but which the Agency has not earlier adopted.

The Directors have assessed the relevance of the new standard and interpretations, and amendments to existing standards with respect to the Agency's operations and concluded that they will not have any impact on the Agency's financial statements, other than for the amendments to IAS 1 – Presentation of Financial Statements.

(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.

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

1. ACCOUNTING POLICIES (CONTINUED)

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 unless the policy is renewed for a shorter period. 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 commissions 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 and commissions paid to intermediaries are deferred and amortized over the terms of the contracts of insurance to which the contracts of reinsurance relate.

II. Unearned Premium

The provision for unearned premiums

1. ACCOUNTING POLICIES (CONTINUED)

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 information 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, at the request of the Agency, the insured 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

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. Insurance contracts entered into by the Agency under which the

1. ACCOUNTING POLICIES (CONTINUED)

contract holder is another insurer (inwards reinsurance), are included with insurance contracts.

The benefits to which the Agency is entitled under its reinsurance contracts are recognised as reinsurance assets. These assets consist of reinsurer's share of unearned premium, short-term balances due from reinsurers, as well as long 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 policy 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.
Gross written premiums are recognised based on insurance contract periods that start within a financial reporting period.

A contract period refers to an identifiable period (that is part of the insurance policy 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.

(e) Other Income Recognition

Brokerage 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 or reimbursable under 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 twelve months or less from the date of investment.

(g) Taxation

In accordance with the ATI Treaty, the Agency

1. ACCOUNTING POLICIES (CONTINUED)

and its assets are not subject to any direct or indirect taxation by its Member States.

(h) Property, 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.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Agency and the cost of the item can be measured reliably. All other, costs, repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

Depreciation on property and equipment is calculated on the straight-line basis to write off the cost over the expected useful lives of the relevant assets 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 other income for gains and administration expenses for losses. Repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

(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 are capitalised only when they increase the future economic benefits embodied in the specific asset(s) to which they relate. Software development costs recognised as assets are amortised using the straight-line method at an annual rate of 33 1/3%.

(j) 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

Financial instruments are initially measured at fair value plus transaction costs.

The subsequent measurement of the various elements of financial instruments held by the Agency as at 31 December, 2008 is outlined below:

1. ACCOUNTING POLICIES (CONTINUED)

(i) Trade and Other Receivables
Trade and Other Receivables are stated at amortised 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 amortised 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.

(k) Impairment of Assets

Property, equipment and intangible assets are reviewed at each reporting date. Where there is an indication that an asset may be impaired, 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.

For receivables, the Agency establishes a provision for impairment when there is objective evidence that the Agency will not be able to collect all of the amounts due according to the original terms of the relevant receivables.

Impairment losses are recognised in the statement of income for the period in which the losses arise.

(l) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently stated at amortised cost.

(m) Employee Benefits

(i) Retirement Benefit Obligations
The Agency operates a Contributory Staff Gratuity scheme 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 the employees, with the Agency's monthly contribution to the schemes being limited to a maximum of 14% of the employees' basic salary. The Agency has no legal or constructive obligations to pay further contributions to the schemes.

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.

(n) 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

1. ACCOUNTING POLICIES (CONTINUED)

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.

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 economic and business risks, as well as the political and credit risks of its insured's inherent in its underwriting of these insurances. The Agency is in the process of developing an enterprise-wide ability to recognise, analyse, measure, mitigate and manage the key risks facing the organization.

The Agency's Enterprise Risk Management Framework ("ERM") has been designed and will be implemented during the fist half of 2009 in compliance with the COSO ERM Framework model and will become the basis of the Agency's risk management activities, incorporating robust risk governance and policy, defined risk tolerances, clear ERM roles, disciplined risk assessment and risk mitigation decision processes, and regular reporting of key risk indicators.

Up until the full implementation of an Agency-wide Risk Management Framework, ATI's overall risk management programme has been focused on the identification and management of risks and has sought to minimise potential adverse effects on the Agency's financial performance through the use of underwriting risk limits, the effective use of reinsurance, credit policies governing the assumption of counter-party risk, and defined criteria for the approval and use of intermediaries and reinsurers. Investment guidelines in accordance with best market practice are in place to manage counter party, type and tenor of investment and liquidity risk, and seek to maximise returns while ensuring that the investment capital is not at risk of loss or depletion.

(a) Insurance Risk

The insurance policies underwritten by the Agency involve the possibility of insured events occurring and the resulting uncertainty of the amount and timing of insurance claims. The Agency recognises that adequate control of insurance risk is paramount and central to the integrity of its operation as a credit and investment insurer. In this context, the Agency has established underwriting management frameworks and processes designed to effectively identify, measure, control, mitigate, share and monitor risks inherent in its

3. RISK MANAGEMENT (CONTINUED)

underwriting activities, which include the following:

- Country ratings;
- Use of portfolio risk analysis;
- Prudent credit risk assessment and underwriting on individual insured buyers or obligors;
- Comprehensive technical and contract risk assessment of political risks; and
- Purchase of reinsurance.

In order to prevent excessive risk concentration, the Agency sets exposure limits by product, country, project, industry/sector and obligor. The following table discloses the concentration of contingent liabilities by class of business, country and sector, having regard to the maximum sums insured included in the terms of issued policies still in force as at 31 December of each year.

3. RISK MANAGEMENT (CONTINUED)

Concentration of contigent liabilities

Maximum Sum Insured by Class of business

	Gross 2008 US$	Gross 2007 US$	Net 2008 US$	Net 2007 US$
Investment Insurance	95,893,512	54,072,594	59,788,166	36,572,594
Credit Insurance	17,099,759	6,681,988	8,389,904	-
Total	**112,993,271**	**60,754,582**	**68,178,070**	**36,572,594**
Maximum Sum Insured by Country				
Burundi	3,750,000	6,890,000	3,750,000	6,890,000
DRC	21,671,913	7,153,255	13,921,913	7,153,255
Kenya	37,766,836	5,770,738	25,161,490	5,770,738
Madagascar	-	-	-	-
Malawi	120,000	225,000	120,000	225,000
Tanzania	3,637,043	3,637,043	3,637,043	3,637,043
Rwanda	-	-		-
Uganda	25,000,000	25,000,000	7,500,000	7,500,000
Zambia	9,447,720	5,396,558	9,447,720	5,396,558
Others*	11,599,759	6,681,988	4,639,904	-
Total	**112,993,271**	**60,754,582**	**68,178,070**	**36,572,594**

* Others refers to the Short Term-WTO business. The geographical allocation of the aggregate credit limits approved by the Agency for the insured's buyers is shown in the table below.

3. RISK MANAGEMENT (CONTINUED)

Credit Limits by Country

	2008 US$	2007 US$
Australia	170,000	65,000
Austria	70,000	30,000
Bahrain	30,000	-
Belgium	199,000	29,414
China	55,000	-
France	337,000	95,000
Germany	515,000	1,154,796
Israel	60,000	25,000
Italy	192,000	205,000
Japan	155,000	50,000
Kenya	10,154,000	4,250,000
Mozambique	50,000	150,000
Netherlands	401,000	168,242
New Zealand	52,000	100,000
Norway	220,000	101,000
Oman	40,000	-
Portugal	135,000	105,000
Rwanda	51,000	-
South Africa	736,000	51,000
Spain	-	14,707
Sweden	140,000	40,000
Switzerland	175,000	318,000
Tanzania	1,250,000	1,125,000
UAE (Dubai)	223,000	30,000
Uganda	1,250,000	100,000
UK	9,850,000	387,853
USA	920,000	595,000
Total Credit Limits	27,430,000	9,190,012
Adjustments for multi-country exposures	(15,830,241)	(2,508,024)
Total Gross Exposure	**11,599,759**	**6,681,988**

3. RISK MANAGEMENT (CONTINUED)

Maximum Sum Insured by Sector

	Gross 2008	Gross 2007	Net 2008	Net 2007
Mining	14,044,943	-	8,044,943	-
Infrastructure	7,006,647	-	14,861,988	-
Services	14,773,622	1,132,933	8,951,627	225,000
Energy	5,000,000	3,333,334	7,500,000	3,333,334
Agribusiness	8,045,696	3,363,334	7,006,647	-
Construction	8,951,627	8,159,578	5,000,000	8,159,578
Manufacturing	10,370,318	9,797,764	3,218,279	7,387,043
ICT	19,800,418	9,967,639	8,580,353	9,967,639
Tourism	25,000,000	25,000,000	5,014,233	7,500,000
Total	**112,993,271**	**60,754,582**	**68,178,070**	**36,572,594**

The maximum amount of contingent liability of the Agency to issued insurance policies outstanding at 31 December, 2008 totalled US$112,993,271. (31 December, 2007 - US$60,754,582). The maximum amount of contingent liability is the Agency's maximum exposure to loss from potential insurance claims.

(b) Financial Risk

The Agency is exposed to financial and market volatility impacting the value of its financial assets, financial liabilities, reinsurance assets, insurance liabilities and interest rates. The financial risks that the Agency is exposed to include market risks, (foreign currency risk and interest rate risk on investments), credit risk and liquidity risk. The management of these risks is based upon policies approved by the Board of Directors.

(i) Market Risk

I. Foreign Currency Risk

The Agency's functional and reporting currency is the U.S. dollar. Foreign currency risk (relative to the U.S. dollar) arises from the Agency's commercial transactions, assets and liabilities and net investments in foreign operations that are conducted or recognized in other currencies, in particular the euro, sterling pound and Kenya shilling. The Agency maintains the majority of its assets, and carries out the majority of its transactions, in US dollars to minimise exposure to currency risk. In addition, it holds bank balances in relevant foreign currencies to manage currency exposures arising from liabilities denominated in foreign currencies. At 31 December, 2008, 0.88% and 4.32% of the Agency's assets and liabilities respectively were denominated in currencies other than the US dollar and therefore foreign exchange risk is expected to have a minimal impact on net income.

II. Cash Flow Interest Rate Risk

The Agency's interest bearing financial liability is a long term loan from the International Development Association (IDA) and a bank overdraft. The interest rate on the long term loan is fixed and therefore the Agency is not exposed to cash flow interest rate interest. The interest rate on the overdraft is variable but the exposure to the associated cash flow interest rate risk has no material impact on the Agency's net income.

3. RISK MANAGEMENT (CONTINUED)

(ii) Credit Risk

The Agency has exposure to the credit risk that a counterparty will be unable to pay amounts in full when due to the Agency. Key credit risks arise from receivables arising out of policies of insurance, receivables arising out of contracts of reinsurance, and other receivables.

Credit risk also arises from the Agency's cash and cash equivalents held with financial institutions. Financial institutions are required to have the following minimum ratings:

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

The Agency manages the level of credit risk by placing limits on its exposure to a single counterparty. Such limits are subject to regular review. The Agency also has mechanisms to monitor changes in the risk of default by individual counterparties.

Reinsurance is used to manage the Agency's insurance risk. Reinsurance 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 full payment of that claim to the policyholder. The financial strength of reinsurers is assessed through regular reviews, including the Agency's own analysis of a reinsurer's financial strength, its public credit rating from a recognized international credit rating agency. All reinsurers with whom the Agency has reinsurance contracts are required to have at least two (2) credit ratings, with minimum ratings as follows:

Moody's, Standard & Poor's or Fitch	A
A.M. Best	A-

The Agency's exposure to credit risk as at 31 December is as follows:

Maximum exposure to credit risk

	2008 US$	2007 US$
Cash and Bank Balances	4,195,694	2,028,664
ATI Bank Accounts	79,839,897	7,776,306
Security Trust Accounts	6,582,828	51,244,463
Insurance balances receivable	773,782	453,969
Reinsurance balances receivable	56,561	66,066
Reinsurers' share of claims reserve	50,871	73,112
Other receivables and prepayments	410,924	658,328
Total	**91,910,557**	**62,300,908**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER, 2008

3. RISK MANAGEMENT (CONTINUED)

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 financial obligations as they fall due.

The Agency is exposed to calls on its available cash for expected losses under claims settlement, as well as for normal operating expenses, and it maintains immediately available cash resources to meet all of these needs.

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

Liquidity Risk 2007

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						
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
Claims Reserve	-	73,112	-	-	-	73,112
IDA - Development Credit				112,841	5,529,217	5,642,058
Total	**381,980**	**295,720**	**308,137**	**112,841**	**5,529,217**	**6,627,895**
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 the Claims Reserve	-	73,112		-	-	73,112
Other Receivables and Prepayments	425,092	58,796	14,533	159,907	-	658,328
Total	**2,560,098**	**45,353,245**	**14,229,300**	**159,907**	**-**	**62,302,550**

3. RISK MANAGEMENT (CONTINUED)

Liquidity Risk 2008

As at 31 December, 2008	Up to 1 month US$	1-3 months US$	3-12 months US$	1-5 years US$	Over 5 years US$	Total US$
Liabilities						
Insurance Balances Payable	56,711	87,493	23,163	-	-	167,367
Reinsurance Balances Payable	36,831	110,879	297,901			445,611
Other Payables and Accrued Expenses	135,721	54,757	121,039	-	-	311,517
Claims Reserve	-	-	50,871	-	-	50,871
Unearned Grant Income	-	-	70,300	-	-	70,300
IDA - Development Credit	-	-		464,662	7,401,598	7,866,260
Total	**229,263**	**253,129**	**563,274**	**464,662**	**7,401,598**	**8,911,926**
Assets						
Cash and Cash equivalents	1,108,034	1,466,372	1,625,489	-	-	4,199,895
ATI Bank Accounts	12,133,895	28,668,312	39,037,690	-	-	79,839,897
Security Trust Accounts	-	6,582,828	-	-	-	6,582,828
Insurance Balances Receivable	189,400	202,831	381,551	-	-	773,782
Reinsurance Balances Receivable	4,379	14,460	37,722	-	-	56,561
Reinsurer's Share of the Claims Reserve	-	-	50,871	-	-	50,871
Other Receivables and Prepayments	137,550	64,525	208,849	-	-	410,924
Total	**13,573,258**	**36,999,328**	**41,342,172**			**91,914,758**

(c) Business Risk

The Agency faces a variety of business risks arising its commercial operation as an insurer, including: loss of members; failure to attract new members; competition from other insurers; a downgrade of the credit rating; recession; loss of shareholder, stakeholder or customer confidence; and loss of business reputation. These risks are managed, where practicable, through disciplined, strategic decision-making and management processes, open communication with members and stakeholders, and through ethical, transparent business practices. Business risks will be assigned to risk owners and managed within the Agency's ERM Framework and Processes, when implemented in 2009.

(d) Operational Risk

The Agency's physical operations are exposed to the possibility of a number of adverse incidents including: loss or damage to equipment, facilities and data; fraud; litigation; and inadequate systems, technology and procedures.

3. RISK MANAGEMENT (CONTINUED)

The Agency will mitigate such risks through establishing and reinforcing internal controls, computer and physical security, insurance, business continuity planning, loss prevention, back up of data and computer systems, preventative maintenance and ongoing upgrading of technology and systems.

(e) Organisational Risk

The Agency faces a variety of organisational risks to achieving its objectives, including those arising from: productivity, wellness and turnover of the Agency's human resources. Other risks include both the Agency's failure to provide effective leadership and management of these human resources and the failure to provide adequate governance of the Agency. Organisational risks are actively managed through reinforcing and upholding the Agency's policies, procedures and regulations, staff training and team building activities. In addition, the Agency continuously reviews its practices against best market practices and addresses areas that need improvement. The implementation in 2009 of an ERM Framework and Processes in accordance to the COSO model will represent an example of the adoption of a best market solution in the field of risk management.

4. CAPITAL MANAGEMENT

The capital structure of the Agency consists of issued share capital, reserves, underwriting capital and retained earnings. The table below sets out the capital that is managed by the Agency:

Capital Structure	2008 US$	2007 US$
Share Capital	86,000,000	46,000,000
Share Premium Account	441,062	159,762
General Reserve	250,000	250,000
Underwriting Capital	900,000	14,161,007
Retained Earnings	(4,936,705)	(5,202,063)
TOTAL	**82,654,357**	**55,368,706**

Prior to 2007 the Agency's capital structure comprised of;

(a) An open-ended capital stock based on an initial authorised capital stock of US$4,000,000 divided into 40 shares with a par value of US$100,000 each, available for subscription by members.

(b) Underwriting capital 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$138,230,942).

4. CAPITAL MANAGEMENT (CONTINUED)

(c) Retained Earnings.

Under the legal and capital restructuring of the Agency, the underwriting capital described under (b) above is to be exchanged for shares in the Agency's common equity capital and all future disbursements under each African Member States Amended and Restated Development Credit Agreement will be used to subscribe for additional common shares in the equity capital of the Agency. The capital restructuring is phased–in by disbursing the amounts of each African Member State's IDA commitment in 3 tranches (all of which, including existing disbursements, are used to subscribe for 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 Member State'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$110 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$140 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.

The two future disbursements are considered to be contingent committed 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.

At 31 December, 2008, the disbursement of 64 percent of each Member State's IDA commitment as described in (i) above had been completed for Burundi, DRC, Kenya, Malawi, Rwanda, Tanzania, Uganda and Zambia. The funds for Madagascar had been disbursed in full before the legal and capital restructuring. Only Madagascar's conversion still remains to be declared effective by IDA, having signed its Amended and Restated Development Credit Agreement with IDA on 25 September, 2008 and the Amended and Restated Participation Agreement with ATI after year-end on 12 January, 2009.

4. CAPITAL MANAGEMENT (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:

Actual Forecast Disbursements

Member Country	Total initially disbursed*	Total disbursed at 31/12/08	64% of the Credit	82% of the Credit	100% of the Credit
As at 31 December, 2008	US$	US$	US$	US$	US$
Burundi**	9,583,456	9,583,456	9,583,456	12,311,896	15,316,456
DR Congo	2,636,007	7,036,530	7,036,530	9,072,330	11,108,130
Kenya	12,500,000	17,373,090	17,373,090	22,820,610	28,268,130
Madagascar***	900,000	900,000	900,000	900,000	900,000
Malawi	3,750,000	10,692,384	10,692,384	13,949,664	17,206,944
Rwanda	1,875,000	5,437,686	5,437,686	7,066,326	8,694,966
Tanzania	7,500,000	10,403,216	10,403,216	13,644,977	16,902,257
Uganda	5,000,000	14,232,452	14,232,452	18,584,852	22,937,252
Zambia	7,500,000	10,382,248	10,382,248	13,639,528	16,896,808
	51,244,463	86,041,062	86,041,062	111,990,183	138,230,943
Initial Capital Stock	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000
Total Capital Stock	**52,544,463**	**87,341,062**	**87,341,062**	**113,290,183**	**139,530,943**

*Total Funds disbursed before declaration of effectiveness of the Amended DCAs.
**The credit for Burundi had already been 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 in relation to the two future disbursements bringing the total amounts disbursed to 82% and 100% respectively (excepting Madagascar which is already 100% disbursed) 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 each future disbursement.

The Agency's committed contingent capital at 31 December, 2008 is US$53,089,880 (31 December 2007, 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 each future disbursement.

In managing the capital of the Agency, the objective of the management is to have sufficient capital to sustain expected and uncertain losses associated with claims and to support the ongoing business. The level of the Agency's capital adequacy is measured through Required Capital calculated as described above.

4. CAPITAL MANAGEMENT (CONTINUED)

The table below sets out the current level of required capital and the Agency's exposure to potential losses arising out of claims:

	2008 US$	2007 US$
Gross Exposure	112,993,272	60,754,582
Net Exposure	68,178,070	36,572,594
Required Capital	34,348,390	25,828,168
Shareholders' Equity	82,654,357	55,368,706

5. PREMIUM FROM UNDERWRITING OPERATIONS

	2008 US$	2007 US$
Gross Written Premium Generated in the Year		
- Political Risk	1,517,132	867,075
- Credit Risk	399,993	198,398
Total	1,917,125	1,065,473
Reinsurance Premiums Ceded		
- Political Risk	(682,885)	(340,932)
- Credit Risk	(216,746)	(198,398)
Total	(899,631)	(539,330)
Change in Provision for Unearned Premiums		
- Political Risk	(189,408)	(312,437)
- Credit Risk	(73,381)	-
Total	(262,789)	(312,437)
Net Earned Premium		
- Political Risk	**644,839**	**213,706**
- Credit Risk	**109,866**	**-**
Total	**754,705**	**213,706**

6. COMMISSION INCOME

	2008 US$	2007 US$
Commission Income Generated in the Year	121,881	114,990
Change in Provision for Unearned Commissions	(529)	(43,029)
Earned Commission Charged to Income	**121,352**	**71,961**

7. INVESTMENT INCOME

	2008 US$	2007 US$
Interest on Call and Fixed Deposit Accounts	**2,776,643**	**2,852,415**

8. OTHER OPERATING INCOME

	2008 US$	2007 US$
Grant*	139,389	41,940
Gain on Disposal of Equipment	12,862	-
Debt Collection Fees	-	-
Miscellaneous	2,707	39
Total	**154,958**	**41,979**

*The grant relates to funding provided by donors for the establishment and operating expenses of underwriting field offices in ATI's African Member States. The field offices that have been opened to date are Uganda (supported by funding from the Private Sector Foundation Uganda (PSFU) and Zambia (supported by funding from European Union (EU) and USAID). Each grant is administered based on the terms and conditions of each donor.

9. CLAIMS INCURRED

The analysis of the claims incurred are shown below:

	2008 US$	2007 US$
Gross claims reported and determined	-	64,859
Provision for claims	-	73,112
Release of provisions for claims	(13,784)	-
Total Gross Claims	(13,784)	137,971
Reinsurance Recoveries	13,784	(137,971)
Net Claims Incurred	**-**	**-**

10. ACQUISITION COSTS

	2008 US$	2007 US$
Annual Acquisition Costs arising out of policies written during the year	58,844	52,188
Change in deferred acquisition costs	(2,516)	(25,396)
Acquisition Costs Charged to income	**56,328**	**26,792**

11. ADMINISTRATIVE EXPENSES

	2008	2007
Administrative Expenses comprise the following:	**US$**	**US$**
Personnel Costs	1,903,976	1,647,112
Defined Gratuity Contribution	200,370	179,036
General Administration Costs	444,793	326,222
Consultancy Fees	143,235	274,332
Depreciation on Equipment	53,894	26,239
Travel Costs	174,393	149,750
Recruitment Expenses	114,760	93,834
Annual General Meeting	68,514	63,611
Board Expenses	75,701	55,474
Marketing Costs	159,811	149,157
Amortisation on Intangible Assets	10,326	9,437
Total	**3,349,773**	**2,974,204**

12. FOREIGN EXCHANGE (GAIN)/LOSS

	2008 US$	2007 US$
Foreign exchange (gains)/losses other than on cash and equivalents.	**27,221**	**9,034**

13. FINANCE COSTS

	2008 US$	2007 US$
IDA Commitment Charges	6,023	8,241
IDA Service Charges	60,135	41,146
Bank Overdraft Interest	609	410
Exchange (Gain)/Loss on cash and cash equivalents	42,211	(6,042)
	108,978	**43,755**

14. 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 were 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. Following the completion of the legal and capital restructuring of the Agency and the declaration of the effectiveness of the Amended and Restated DCAs for the relevant African Member States, the proceeds of the credits have been converted into common equity capital of the Agency with the exception of Madagascar (see below). Existing and future withdrawn amounts under the credits have been switched from the Security Trust Accounts or disbursed directly by IDA to the ATI Bank Accounts. See Notes 28 and 30.

During 2008, the Amended and Restated DCAs for DRC, Malawi, Rwanda, Tanzania and Uganda were declared effective. As a result, the amounts already previously disbursed into the Security Trust Accounts for these countries were transferred into the ATI Bank Accounts. The Amended and Restated DCAs for Burundi, Kenya and Zambia had been declared effective as at 31 December, 2007, but the funds in the Security Trust Accounts for these countries were only transferred to the ATI Bank Accounts in 2008. The balance in the Security Trust Account therefore represents disbursed funds for Madagascar whose amended DCA has not yet been declared effective and funds being held as cash collateral for two remaining policies issued under the previous capital structure. The funds will be released and transferred to the ATI Bank Accounts upon the expiry of the policies or an earlier agreement with the insured to waive the cash collateral.

In addition, the amounts necessary to bring the aggregate amount of funds withdrawn to 64% of each of the African Member State's credits have been disbursed.

14. SECURITY TRUST ACCOUNTS AND ATI BANK ACCOUNTS (CONTINUED)

Shown below is the status of the Security Trust and ATI Bank Accounts at 31 December, 2008.

Security Trust Accounts

African Member State	2008 US$	2007 US$
Burundi	3,750,000	9,583,456
DRC		2,636,007
Kenya		12,500,000
Madagascar	900,000	900,000
Malawi		3,750,000
Rwanda		1,875,000
Tanzania	1,932,828	7,500,000
Uganda		5,000,000
Zambia		7,500,000
TOTAL	**6,582,828**	**51,244,463**

ATI Bank Accounts	2008 US$	2007 US$
African Member State		
Burundi	5,833,456	-
DRC	7,036,530	-
Kenya	17,373,090	4,873,090
Madagascar	-	-
Malawi	10,692,384	-
Rwanda	5,437,686	-
Tanzania	8,470,388	2,903,216
Uganda	14,232,452	-
Zambia	10,382,248	-
Initial capital contribution	381,663	-
Total	**79,839,897**	**7,776,306**

15. INSURANCE BALANCES

	2008 US$	2007 US$
Receivables – Premiums Due from Policyholders	**773,782**	**453,969**
Payables – Premium Deposits	**167,367**	**220,930**

16. REINSURANCE BALANCES

	2008 US$	2007 US$
Receivables – Ceding Commissions Due from Reinsurers	**56,561**	**66,066**
Payables - Ceded Premiums Due to Reinsurers	**445,612**	**304,642**

17. OTHER RECEIVABLES AND PREPAYMENTS

	2008 US$	2007 US$
Prepayments	175,457	167,550
Deposits	25,819	28,343
Staff receivables	38,601	37,243
Grant Reimbursements	121,064	41,940
IDA Credit Reimbursements	-	331,636
Other Receivables	49,983	51,616
	410,924	**658,328**

An amount of US$44,206 (Euro31,378), which is due from the European Union, is included under other receivables.

18. CLAIMS RESERVE

(a) Claims Reserve	2008 US$	2007 US$
Claims Reserve as at 1 January	73,112	-
Claims Paid	(8,547)	-
Provisions for Pending Claims	-	22,241
Provisions for Claims Incurred But Not Enough Reported (IBNER)	-	50,871
Release of Pending Claims Provisions	(13,784)	-
Claims Reserve as at 31 December	**50,871**	**73,112**

(b) Reinsurer's Share of Claims Reserve	2008 US$	2007 US$
Reinsurer's Share of Claims Reserve as at 1 January	73,112	-
Reinsurance recoveries	(8,4,57)	-
Reinsurer's share of claims provisions	-	73,112
Reinsurer's share of release of claims provisions	(13,784)	-
Reinsurer's Share of Claims Reserve as at 31 December	**50,871**	**73,112**

19. REINSURANCE SHARE OF UNEARNED PREMIUM

	2008 US$	2007 US$
Reinsurer's Share of Unearned Premium as at 1 January	317,597	117,156
Ceded Premium during the Year	899,631	539,330
Change in Provisions for Unearned Premiums	(676,481)	(338,889)
Reinsurer's Share of Unearned Premium as at 31 December	**540,747**	**317,597**

20. DEFFERED ACQUISITION COSTS

	2008 US$	2007 US$
Deferred Acquisition Costs as at 1 January	30,279	4,883
Annual Acquisition Costs arising out of policies written during the year	58,844	52,188
Change in Deferred Acquisition Costs	(67,113)	(26,792)
Deferred Acquisition Costs as at 31 December	**22,010**	**30,279**

21. PROPERTY AND EQUIPMENT

As at 31 December, 2007	Motor Vehicles	Computers & office equipment	Furniture & fittings	Total
	US$	US$	US$	US$
Cost				
As at 1 January, 2007	72,091	195,760	415,962	683,813
Additions	-	45,301	1,974	47,275
Disposals	-	(3,092)	-	(3,092)
As at 31 December, 2007	72,091	237,969	417,936	727,996
Depreciation				
As 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)
As at 31 December, 2007	72,091	179,191	414,838	666,120
Net book value				
As at 31 December, 2007	**-**	**58,778**	**3,098**	**61,876**

As at 31 December, 2008	Motor Vehicles	Computers & office equipment	Furniture & fittings	Total
	US$	US$	US$	US$
Cost				
As at 1 January, 2008	72,091	237,969	417,936	727,996
Additions	49,489	80,925	4,158	134,572
Disposals	(38,392)	(40,267)	(6,804)	(85,463)
As at 31 December, 2008	83,188	278,627	415,290	777,105
Depreciation				
As at 1 January, 2008	72,091	179,191	414,838	666,120
Charge for the Year	7,931	44,755	1,208	53,894
Eliminated on Disposals	(38,391)	(40,428)	(6,031)	(84,850)
As at 31 December, 2008	41,631	183,518	410,015	635,164
Net Book Value				
As at 31 December, 2008	**41,557**	**95,109**	**5,275**	**141,941**

Property and equipment acquired at a cost of US$565,644 (2007 - US$621,969) was fully depreciated as at 31 December, 2008.

22. INTANGIBLE ASSETS

	2008 US$	2007 US$
Cost		
As at 1 January	62,092	55,619
Additions	19,547	6,473
Adjustments	(1,277)	-
As at 31 December	**80,362**	**62,092**
Amortisation		
As at 1 January	45,799	36,362
Charge for the Year	10,326	9,437
Adjustments	1,705	-
As at 31 December	**57,830.**	**45,799**
Net Book Value		
As at 31 December	**22,532**	**16,293**

Intangible assets represent the cost of acquired computer software programmes. Software acquired at a cost of US$36,957 (2007 - US$31,559) was fully depreciated as at 31 December, 2008.

23. OTHER PAYABLES AND ACCRUED EXPENSES

	2008 US$	2007 US$
Accrued Expenses	162,647	281,547
Personnel Pension Payable	114,119	45,999
Non trade Accounts Payable	3,538	35,839
IDA Commitment and Service Charges	18,233	10,789
Personnel Accounts	12,979	12,979
Total	**311,516**	**387,153**

24. UNEARNED PREMIUMS

	2008 US$	2007 US$
Unearned Premiums as at 1 January	659,676	146,857
Gross Written Premium Generated in the Year	1,917,125	1,065,473
Change in Provisions for Unearned Premiums	(1,558,152)	(552,654)
Unearned Premiums as at 31 December	**1,018,649**	**659,676**

25. UNEARNED CEDING COMMISSIONS

	2008 US$	2007 US$
Unearned Commission as at 1 January	72,318	29,289
Commission Income Generated in the Year	121,881	114,990
Change in Provisions for unearned commissions	(137,143)	(71,961)
Unearned Commission as at 31 December	**57,056**	**72,318**

26. UNEARNED GRANT INCOME

	2008 US$	2007 US$
Unearned Grant Income as at 1 January	-	-
Funds Received	86,360	-
Expenditure Incurred	16,060	-
Unearned Grant Income as at 31 December	**70,300**	**-**

The unearned grant income relates to funds received under an European Development Fund grant to finance the operations of the underwriting office in Zambia. The amount is disbursed in instalments of 80%, 10% and 10% of the forecast budget for each 12 month period over a period of 2 years. These amounts are accounted for as each eligible expenditure under the grant is incurred.

27. IDA - DEVELOPMENT CREDIT

	2008 US$	2007 US$
As at 1 January	**5,642,058**	**5,310,422**
Disbursements	2,224,202	-
Reimbursements due (see note 17)	-	331,636
As at 31 December	**7,866,260**	**5,642,058**

Under the Development Credit Agreement (DCA) between IDA and the Agency 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, IDA granted to the Agency a development credit amounting to SDR7,200,000 (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 SDR3,300,000 (approximately US$5,000,000). Of these amounts, SDR5,521,113 (US$7,866,260) had been disbursed as at 31 December, 2008. In 2007 – SDR3,900,000 (US$5,310,422) had been disbursed, and a request for disbursement of SDR212,268 (US$331,636) submitted to IDA and reported as receivables under other receivables and prepayments. See Note 17.

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 amendments 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 ½% per annum. The rate from 1 January, 2008 to 30 June, 2008 was 0.10%, and from 1 July, 2008 to 31 December, 2008 it was 0%. The Agency is also required to pay to IDA a service charge at the rate of ¾% 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.

28. SHARE CAPITAL

Authorized Capital Stock

In accordance with the 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.

Each fully paid up share held by a Member shall carry one vote at any ordinary or extraordinary General Meeting. All decisions of any ordinary and extraordinary General Meeting shall be by way of simple majority of the representatives of the Members present and voting save as expressly provided by the ATI Treaty.

28. SHARE CAPITAL (CONTINUED)

The status of the issued and fully paid up share capital at 31 December, 2008 is shown below:

Issued and Paid Capital

Member	2008 Number of shares	2008 Paid up capital US$	2007 Number of shares	2007 Paid up capital US$
Burundi	96	9,600,000	96	9,600,000
DRC	71	7,100,000	1	100,000
Kenya	174	17,400,000	174	17,400,000
Madagascar	1	100,000	1	100,000
Malawi	107	10,700,000	1	100,000
Rwanda	55	5,500,000	1	100,000
Tanzania	105	10,500,000	105	10,500,000
Uganda	143	14,300,000	1	100,000
Zambia	104	10,400,000	76	7,600,000
	856	**85,600,000**	**456**	**45,600,000**
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	**860**	**86,000,000**	**460**	**46,000,000**

28. SHARE CAPITAL (CONTINUED)

Share Premium Account

In accordance with the ATI Treaty, shares issued to African Member States may be issued by way of instalments of whole shares, the total par value of such shares comprising each such instalment. Burundi, DRC, Kenya, Madagascar, Malawi, Rwanda, Tanzania, Uganda and Zambia having been allotted shares in accordance with this requirement may 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(s) 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, 2008 is set out below:

Member State	Paid up capital 2008 US$	Nominal value of shares alloted 2008 US$	Share Premimum 2008 US$	Paid up capital 2007 US$	Nominal value of shares alloted 2007 US$	Share Premimum 2007 US$
Burundi	9,683,456	9,600,000	83,456	9,683,456	9,600,000	83,456
DRC	7,136,530	7,100,000	36,530	100,000	100,000	-
Kenya	17,473,090	17,400,000	73,090	17,473,090	17,400,000	73,090
Madagascar	100,000	100,000	-	100,000	100,000	-
Malawi	10,792,384	10,700,000	92,384	100,000	100,000	-
Rwanda	5,537,686	5,500,000	37,686	100,000	100,000	-
Tanzania	10,503,216	10,500,000	3,216	10,503,216	10,500,000	3,216
Uganda	14,332,452	14,300,000	32,452	100,000	100,000	-
Zambia	10,482,248	10,400,000	82,248	7,600,000	7,600,000	-
TOTAL	**86,041,062**	**85,600,000**	**441,062**	**44,859,762**	**44,700,000**	**159,762**

29. GENERAL RESERVE

The general reserve of US$250,000 (2007- US$250,000) is an appropriation of the retained earnings that was set up to cover possible expenses arising out of future claims.

30. 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 the Development Credit Agreements (DCA) signed between IDA and the various African Member States, and the Participation Agreements (PA) signed between the Agency and each of the African Member States. The total eligible credit available from IDA amounted to SDR 94,093,500 (US$138,230,942). Of this amount, a total of SDR38,023,417 (US$51,244,463) had been disbursed to the Security Trust Accounts (managed by the Agency) prior to each Amended and Restated Development Credit Agreement for

30. UNDERWRITING CAPITAL (CONTINUED)

each African Member State had been declared effective by IDA.

Under the legal and capital restructuring of the Agency, the existing underwriting capital is to be converted into pooled common equity capital and all future disbursements under each African Member States Amended and Restated Development Credit Agreement will be used to subscribe for common equity capital in the Agency. The capital restructuring is phased–in by disbursing the amounts of each African Member State's IDA commitment in 3 tranches (all of which, including existing disbursements, are used to subscribe for common equity capital). See Notes 14 and 28.

At 31 December, 2008, the Amended and Restated Development Credit Agreements for Burundi, DRC, Kenya, Malawi, Rwanda, Tanzania, Uganda and Zambia had been declared effective by IDA, the amounts necessary to bring the aggregate amount of funds withdrawn to 64% of the total credits disbursed and the amounts of the credits already disbursed converted into common equity capital. The balance of the underwriting capacity at year end therefore represents disbursed funds for Madagascar whose Amended and Restated Development Credit Agreement has not yet been declared effective by IDA.

The status of the underwriting capacity is as shown below:

Underwriting Capacity as at 31 December, 2007

Member State	Underwriting Capacity as at 1 January	Additional Amount Disbursed to Bring the Overall Disbursement to 64% of the Credit	Amounts Converted into Share Capital	Amounts Converted into Share Premium	Underwriting Capacity as at 31 December
	US$	US$	US$	US$	US$
Burundi	9,583,456	-	(9,500,000)	(83,456)	-
DRC	2,636,007	-	-	-	2,636,007
Kenya	12,500,000	4,873,090	(17,300,000)	(73,090)	-
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	(10,400,000)	(3,216)	-
Uganda	5,000,000	-	-	-	5,000,000
Zambia	7,500,000	-	(7,500,000)	-	-
TOTAL	**51,244,463**	**7,776,306**	**(44,700,000)**	**(159,762)**	**14,161,007**

30. UNDERWRITING CAPITAL (CONTINUED)

The status of the underwriting capacity is as shown below:

Underwriting Capital as at 31 December, 2008

Member State	Underwriting Capacity As at 1 January US$	Additional Amount Disbursed to Bring the Overall Disbursement to 64% of the Credit US$	Amounts Converted into Share Capital US$	Amounts Converted into Share Premium US$	Underwriting Capacity as at 31 December US$
Burundi	-	-	-	-	-
DRC	2,636,007	4,400,523	(7,000,000)	(36,530)	-
Kenya	-	-	-	-	-
Madagascar	900,000	-	-	-	900,000
Malawi	3,750,000	6,942,384	(10,600,000)	(92,384)	-
Rwanda	1,875,000	3,562,686	(5,400,000)	(37,686)	-
Tanzania	-	-	-	-	-
Uganda	5,000,000	9,232,452	(14,200,000)	(32,452)	-
Zambia	-	2,882,248	(2,800,000)	(82,248)	-
TOTAL	**14,161,007**	**27,020,293**	**(40,000,000)**	**(281,300)**	**900,000**

31. NOTES TO THE CASH FLOW STATEMENT

	2008 US$	2007 US$
(a) Net Cash provided by (used in) Operating Activities		
Net Income	265,358	126,276
Adjustments to reconcile the Net Income (Loss) to Net Cash Used in Operations:		
Depreciation (note 21)	53,894	26,239
Amortisation Charge (note 22)	10,326	9,437
Loss/ (Gain) on Disposal of Equipment	(12,862)	601
Changes in:		
Reinsurer's Share Unearned Premium (note 19)	(223,150)	(200,441)
Insurance Receivables (note 15)	(319,813)	(335,683)
Reinsurance Receivables (note 16)	9,505	(30,495)
Reinsurer's Share of the Claims Reserve (note 18)	22,241	(73,112)
Deferred Acquisition Costs (note 20)	8,269	(25,396)
Other Receivables and Prepayments (note 17)	247,404	(435,866)
Claims Reserve (note 18)	(22,241)	73,112
Unearned Premium (note 24)	358,973	512,819
Unearned Ceding Commissions (note 25)	(15,262)	43,029
Unearned Grant Income (note 26)	70,300	-
Insurance Payables (note 15)	(53,563)	(126,160)
Reinsurance Payables (note 16)	140,970	162,359
Other payables and Accrued Expenses (note 23)	(75,637)	146,383
Net Cash Used in Operating Activities	**464,712**	**(126,898)**

(b) Analysis of Cash and Cash Equivalents As at 31 December	**2008 US$**	**2007 US$**
Cash and Bank Balances	4,199,895	2,030,306
ATI Bank Accounts*	79,839,897	7,776,306
Security Trust Accounts**	5,682,828	37,083,456
	89,722,620	**46,890,068**

31. NOTES TO THE CASH FLOW STATEMENT (CONTINUED)

*Relates to the amounts that have been disbursed in exchange for common shares in the Agency's equity following the Amended and Restated Development Credit Agreements having been declared effective by IDA for each relevant African Member State. See notes 14, 28 and 30. The accounts are maintained and separately disclosed from the Agency's other bank accounts for the purposes of demonstrating the progress of the Legal and Capital restructuring and will cease to be disclosed separately in future once the Legal and Capital restructuring is completed as soon as the Amended and Restated DCA for Madagascar has been declared effective by IDA.

** Relates to the disbursed funds for Burundi and Tanzania that have been exchanged for common equity capital but are still being held as cash collateral for two remaining policies issued under the previous capital structure. The funds will be released and transferred to the ATI Bank Accounts upon the expiry of the policies or upon earlier agreement with the insured to waive the cash collateral. (2007: Relates to the funds of Burundi, Kenya, Tanzania and Zambia that had been exchanged for common shares in the Agency's equity capital and were yet to be transferred to the ATI Bank Accounts).

32. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties:	2008 US$	2007 US$
(i) Key Management Compensation	723,607	666,228
(ii) Directors' remuneration		
Fees for services as directors	30,000	25,500

33. CAPITAL COMMITMENTS

	2008 US$	2007 US$
Approved and Contracted for	-	21,351
Approved but not Contracted for	-	7,270
	-	**28,621**

34. 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.

MEMBER STATES AND ORGANISATIONS

Membership to ATI is open to all African States that are or could become members of the African Union

Current African Member States:

- Burundi
- Democratic Republic of Congo
- Djibouti*
- Eritrea*
- Kenya
- Liberia**
- Madagascar
- Malawi
- Rwanda
- Sudan*
- Tanzania
- Uganda
- Zambia

Regional Economic Community Members

- The Common Market of Eastern and Southern Africa (COMESA)
- The Eastern and Southern African Trade and Development Bank (PTA Bank)
- The PTA Re Insurance Company (ZEP Re)

Corporate Member

- Atradius Group

* A signatory to the ATI Treaty, pending ratification and completion of full membership.

** Accepted into membership pending signature and ratification of the ATI Treaty.

NOTES

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