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## **Independent Auditors' Report to the Board of Governors of the African Development Bank**

*Year ended 31 December 2007*

We have audited the accompanying financial statements of the African Development Bank (“the Bank”) which comprise the balance sheet as at 31 December 2007 and the income statement, the statement of recognized income and expense and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out in notes A to V.

The financial statements have been prepared under the accounting policies set out therein, for the purpose of submitting approved and audited financial statements to the Board of Governors as required by Article 32(d) of the Agreement establishing the Bank. This report is made solely to the Bank’s Board of Governors, as a body, in accordance with Article 32(d) of the Agreement Establishing the Bank. Our audit work has been undertaken so that we might state to the Bank’s members those matters we are required to state to them in an auditors’ report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank’s members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Management’s Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Agreement Establishing the Bank. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditors’ Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of 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 our judgment, including the assessment of the risks of material misstatement of the financial statements,

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whether due to fraud or error. In making those risk assessments, we consider internal control 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, 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 financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### **Emphasis of Matter**

Without qualifying our opinion we draw attention to Note C which highlights the effect of new and revised international financial reporting standards. For the years ended 31 December 2005 and 2006 the independent auditor issued a qualified opinion for the financial statements because International Financial Reporting Standard IAS 32, "Financial Instruments: Disclosure and Presentation", required that the Bank's, member countries' capital subscriptions be reclassified in the Bank's financial statements as financial liabilities instead of equity.

On 14 February 2008 the International Accounting Standards Board (IASB), issued amendments to IAS1 and IAS32. The Bank's member countries' capital subscriptions are puttable financial instruments that meet the requirements for equity classification under the amended standards. Prior to the amendments, the Bank also classified these financial instruments as equity. The amendments were issued after the balance sheet date, but before the approval of the financial statements. The Bank has opted to early adopt the amended standards which had no effects on the Bank's financial statements.

Paris La Défense, 2<sup>nd</sup> April 2008

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Pascal Brouard  
*Partner*