AFRICAN REINSURANCE CORPORATION
GENERAL ASSEMBLY
23rd ANNUAL ORDINARY MEETING
NOUAKCHOTT, MAURITANIA, 27TH AND 28TH JUNE 2001

AFRICARE/GA/25/161

Report of the Board of Directors Covering the Period 1st January to 31st December 2000

AFRICAN REINSURANCE CORPORATION
SOCIETE AFRICAINE DE REASSURANCE

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Honourable Representatives
General Assembly
African Reinsurance Corporation

Date : 27th June, 2001

Your Excellencies,

In accordance with the provisions of Articles 14 and 37 of the Agreement Establishing the African Reinsurance Corporation and Article 8 of the General Regulations of the Corporation, I have the honour, on behalf of the Board of Directors, to submit to you the Annual Report and Audited Accounts of the Corporation for the period from 1st January to 31st December, 2000.

Please accept, Your Excellencies, the assurances of my highest consideration.

MUSA S. AL NAAS
Chairman of the Board of Directors
and General Assembly

COMPOSITION OF AFRICA RE BOARD OF DIRECTORS

Mr. M. Al Naas
Chairman

Mr. F. Magezi
Vice-Chairman

Mr. A. Bayala

Mr. T. El Barki

Mr. C. Enweze

Mr. M. Ferrani

Chief O.A. Bailey

Mr. L. P. N'Goulakia

Mr. R. Rasamoely

Mrs. A.S. Samake

Mr. K. Selim

Mrs. M. Ikongo

ALTERNATE DIRECTORS

Mr. Anney A. LUCAS, Mr. Ahmed Omar IBRAHIM, Mr. S. APPIAH-AMPOFO, Mr. Boualem OUBAÏCHE, Mr. Côme NKURUNZIZA, Mr. Habtamu H. MARIAM, Mr. Hassan FARAH, Mr. Mohamed Lemine OULD NATY, Mr. Nashnush FARG, Mr. Peter KENNETH, Mr. Calvin FOINDING, Mr. Woldemichael ZERU.

COMPOSITION OF AFRICA RE MANAGEMENT

Mr. Bakary Kamara
Managing Director

Mr. Haile M. Kumsa
Deputy Managing Director

Mr. Kasali Salami
Director Technical Operations

Mr. El Hadj Omar Diaw
Director of Administration/ Corporation Secretary

Mr. Ganiyu Musa
Director
Finance & Accounts

Mr. Moncef Manai
Regional Director
Casablanca

Mr. Indre Vin Nursinghdass
Regional Director
Nairobi

Mr. Béné B. Lawson
Regional Director
Abidjan

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EXECUTIVE SUMMARY

The 23rd Annual Report of the Board of Directors presents the Corporation's financial statements for 2000, including the balance sheet as at 31st December and the profit and loss account for the year then ended. In addition, it contains the results of the 1998 Underwriting year (closed for the first time), those of the previous years (1978-1997), as well as the accounts for the still open years of 1999 and 2000.

It includes a review of the Corporation's operating environment and the report of the External Auditors to the shareholders.

During the financial year 2000, the Corporation recorded a gross premium income, net of cancellations of US$78,060,022 which represents an increase of 10.07% over the 1999 production of US$70,920,129. Due to the increase in the Corporation's increased share in some peak risks during the year, which necessitated the purchase of additional protection, retroceded premium rose from US$5,040,692 in 1999 to US$6,342,363. The retained premium therefore stood at US$71,717,659 (1999:US$65,879,437) corresponding to a ratio of 91.88% compared to 92.89% in 1999. After adjusting for the movement in unearned premium reserves, net earned premium amounted to US$67,121,108 (1999:US$69,122,848). Paid losses, net of reinsurance recoveries, stood at US$37,108,052 (1999:US$37,049,538), while adjustment for the movement in outstanding claims reserve produced an incurred loss of US$37,522,786 (1999: US$43,977,781). Other outgo includes commissions of US$21,858,572, charges of US$1,857,140 and management expenses of US$4,520,366. The resulting underwriting profit of US$1,362,244 (1999:US$333,797) was transferred to the profit and loss account.

Income from investment and other sources amounted to US$3,607,881, compared to US$3,489,830 in 1999, while interest on reinsurance deposits stood at US$1,053,485 (1999:US$983,631). A realised loss on exchange of US$305,327 was recorded, compared to US$276,990 in 1999. Operating income for the year therefore amounted to US$5,718,283 (1999:US$4,530,268). Other expenses not charged to the underwriting revenue account amounting to US$1,437,003 (1999:US$656,245) were then deducted from the operating income to arrive at a net profit of US$4,281,280 for the year compared to US$3,874,023 in 1999.

The excess of income over outgo for the still open years of 1999 and 2000 amounted to US$39,089,074 (1999:US$34,492,523) and this has been carried forward as reinsurance funds in line with the Corporation's standing accounting practice. Similarly, reserves for outstanding losses including IBNR at the end of the year was established at US$30,360,526 (1999:US$ 29,945,792).

The cumulative translation adjustment for the year resulted in an unrealised loss of US$4,776,068, compared to US$5,231,878 recorded in 1999, out of which US$5,000,000 was written off by way of transfer from the profit and loss account. As in previous years, this is being treated as a separate component of the shareholders' funds in accordance with the International Accounting Standards No. 21 (IAS 21). As at 31st December 2000, cumulative translation adjustment therefore amounted to US$9,553,958 (1999:US$9,777,890).

The shareholders' funds as at 31st December 2000 stood at US$50,048,859 compared to US$50,087,774 at the end of the previous year.

The year witnessed a more perceptible world economic recovery and, at the same time, a widening of the gap between the poor and the rich countries.

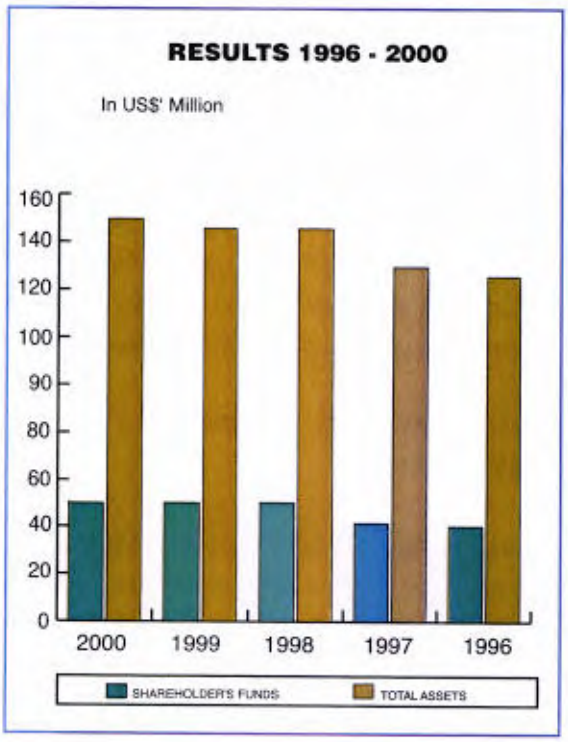
Indeed, while the world GDP grew at a rate of 4%, world trade increased by 10%, which was double its 1999 level. Although the collapse of technology stocks did not actually sound the bell for those values, it at least seems to have dampened the ardour of the proponents of the new economy.

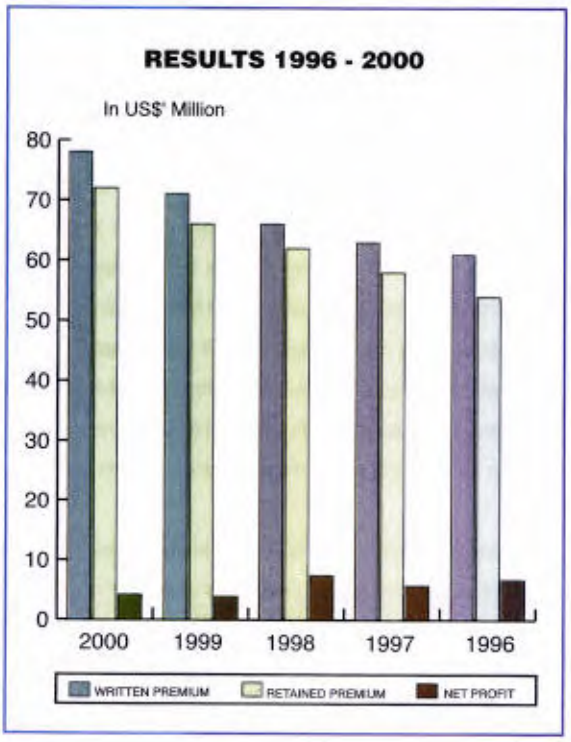
The genome revolution seems to offer new prospects for the traditional economy, particularly for pharmaceutical industries and the health sector. Nevertheless, there is the fear that several developing countries would not benefit from this scientific and technological breakthrough because of the worsening situation of poverty in those countries. The debate over generic drugs in the fight against the AIDS epidemic goes to confirm that fear.

Though most of the 48 poorest countries in the world are situated in Africa, the continent recorded an average GDP growth rate of 3.5% in 2000. It is true that some countries experienced negative growth, but it is important not to lose sight of the performance of others that achieved economic growth rates ranging from 5.2% to 10%.

FINANCIAL HIGHLIGHTS

In US$ '000	2000	1999	1998	1997	1996
RESULTS					
WRITTEN PREMIUM	78,060	70,920	66,126	62,900	61,281
RETAINED PREMIUM	71,718	65,879	62,440	57,960	54,143
EARNED PREMIUM (NET)	67,121	69,123	60,468	55,932	48,227
NET PROFIT	4,281	3,874	7,411	5,685	6,683
FINANCIAL POSITION					
SHAREHOLDERS' FUNDS	50,049	50,088	50,216	41,519	40,256
TOTAL ASSETS	150,243	145,608	146,546	130,501	126,980





Furthermore, the higher crude oil price affected African countries in various ways. Depending on whether they were producers or importers, these countries either recorded substantial budget surpluses or saw their oil bills grow to the point of undermining any previous economic achievements. The situation of the oil importing countries was aggravated by the strength of the American dollar, in which the price of a barrel of oil is quoted, against all other currencies, especially African currencies.

The insurance industry in Africa was affected by a more stringent application of anti-monopoly, liberalisation and deregulatory measures began in the 90s. Whereas these measures were initially designed to open up and defuse insurance markets, they ended up generating unbridled competition that led to an intolerable drop in premium rates.

The reinsurance sub-sector now seems to be reacting to this spiralling drop in the cost of cover by adjusting premium rates following the numerous losses that were recorded in the previous years, particularly the storms that hit Northern Europe in December 1999. This reaction, which perhaps was tardy, could not prevent the withdrawal of a substantial amount of capacity from the market, especially from the retrocession business. The international reinsurance market is expected to be revitalised from various sources, including increased risk transfer arrangements, a return to the fundamentals of reinsurance and the development by the reinsurance departments of major deposit and investment banks of more customer-friendly products. This would offset the trend noticed in 2000, which recorded a meagre growth (3.4%) in global insurance premium income.

Risk delocalisation remains a serious threat to the African insurance business. Indeed, the direct placement of high-premium policies (fire, oil/gas and aviation) seriously undermines the future of African insurers and reinsurers and the sharp drop in value of African currencies sustains the phenomenon of exchange fluctuations that Africa Re has been striving to contain over the past two decades. The low exchange rate of African currencies against Corporation's accounting currency has a dual effect in that it reduces the Corporation's production when converted into dollars and drains a more or less substantial portion of its shareholders' funds and technical reserves.

To compound it all, there was the loss experience worsened by the effects of weather (floods in Southern Africa) and man's action (fire in factories and ships lost at sea). In spite of all these impediments, the African Reinsurance Corporation succeeded in increasing its premium income by 10.07% in 2000 (US$78.06 million) as compared to 1999 (US$70.92 million). The increase would have been 16.40% were it not for the currency depreciations referred to above. This result was due to the combined effect of a sustained effort in normal insurance marketing and the underwriting of more oil risks.

Additional cessions accounted for 68.92% of the premium income in 2000, as against 66.12% in 1999. While the latter year was marked by a high amount of paid losses (US$41.76 million), the Corporation disbursed about US$39.30 million for the same purpose in 2000, which represents a gross ratio of 50.35%. Although the technical profit improved from US$0.33 million in 1999 to US$1.36 million, the current margin of 1.9% is expected to improve in the years ahead.

The Standard and Poor's rating agency confirmed its Triple B (S & P's Security Circle) rating, thus reasserting its confidence in the Corporation's financial strength and prospects of growth.

ECONOMIC AND TRADING ENVIRONMENT

While 1999 marked the peak of the new economy, the year 2000 was characterised by uncertainty and the poor performance of the stock markets worsened by the slowdown of the American economy. On the whole, the positive achievements of the world economy have failed to conceal the unequal distribution of the world's wealth, despite the readjustments on the panaceas that multilateral institutions have so far been applying to countries in difficulty.

The year 2000 witnessed:

- positive economic performance and the widening of the gap between the industrialised and developing countries, as well as among the various social classes within the countries themselves;
- a rapid restoration of the economic growth of emerging markets in the South (Asia and Latin America);
- an improvement in Africa's economic growth, powered by a better accepted democratisation process, despite the drop in life expectancy due to the AIDS pandemics, and
- more sustained liberalisation of the insurance sector, with the attendant unbridled competition that has pushed the cost of insurance/reinsurance coverage into a free fall.

Confirmation of the Positive Performance of the Global Economy

With the increase in Gross Domestic Product, the year 2000 will be remembered as a year of laudable achievements, despite a few periods of apprehension in the second quarter. Indeed, the substantial increase (4%) in the world GDP came with a considerable drop in unemployment and an increase in international trade and business. One has to go back to 1988 to find a similar growth rate in the global economy. That year was actually the last major phase in such large-scale expansion. World trade, which increased twice as fast as in 1999, recorded a 10% growth. The emerging economies recovered faster than expected.

All the major world economies experienced some growth, including Japan that had slipped into an unprecedented ten-year crisis.

The clouds that had been gathering over the turnaround of the world economy since the Asian crisis of 1997 were finally cleared in 2000. However, the euphoria over the virtual results of the new economy quickly gave way to rising unease as early as the end of the first quarter of the year. Investors therefore did not think twice about reverting to traditional economy stocks and government bonds and loans.

Were it not for the unsound pegging of the Argentine peso to the American dollar and the shortcomings of the Turkish banking system - two events that forced the International Monetary Fund to step in by prescribing the usual austerity remedies to put these countries back on track - the year 2000 would have gone down as a very good year.

The risk of inflation is now greater than that of deflation as a result of the pervasive increase in prices of a few commodities as well as the oil crisis following OPEC's decision to scale down its production. Thus, while consumer prices increased by 2.7% as against 1.1% in the Euro zone, they were up by as much as 3.5% in the United States. Over the past nine years, the American economy, which has been the tugboat for the rest of the world, recorded an average annual growth of 3.5%, thus further increasing its lead on Europe.

Since its launching in January 1999, the Euro has lost 25% of its value against the dollar. This notwithstanding, Western Europe recorded a growth rate of more than 3% and succeeded in reducing unemployment to less than 9%. At this rate, these countries intend to achieve full employment by the end of this decade.

Following the poor performance of technology stocks, the world economy is expecting to bounce back on the springboard of the genetic revolution. Indeed, news of the deciphering of the human genome in June 2000 seems to have paved the way for a boom in the pharmaceutical industry, in particular, and the health sector in general. This windfall from the genome breakthrough is expected to boost the value of the drug market from the current US$337.7 billion to US$506 billion by 2004. With that prospect in view, about thirty biomedical companies floated on the stock exchange were able to raise US$2.2 billion within a short period of one month. The share value of companies in this sector also increased by 19.5% during the first eleven months of the year. However, this picture barely conceals the striking imbalances in the world - amongst nations and among the social classes within countries.

Worsening International Imbalances and Social Inequalities

The Forum for dialogue on global trends and emerging economies, which was organised in South Africa in 1999 and in Malaysia in 2000, marked the return of countries of the South to the international scene. It portrayed the importance of the action taken by these nations to give more weight to their demands in the continuous contest among States to defend their interests and acquire greater market shares. This resolve, added to the support of Non-Governmental Organisations (NGOs), was the reason for the failure of the Seattle negotiations in 1999. The strategy they adopted enabled these countries to avoid being marginalised and to denounce the industrialised nations whenever they fail to keep their promises. This is especially so when the latter are protecting the vital sectors of their economies (textiles and agriculture) while advocating a complete opening up of the services sector. The countries of the South are also resisting the excesses of globalisation, which widen the gap between the rich and the poor regions and further pauperise the people in developing countries. It is increasingly recognised that participating in the globalisation drive is not in itself a strategy for a country's development. In fact, open borders do not necessarily contribute to development and are not a means by which countries that liberalise their economies can become richer.

The high cost of joining the World Trade Organisation (reduced customs revenue, implementation of health regulations, intellectual property laws) has been estimated at about US$150 million. These are funds diverted from more important investment projects (health, education and communication). It has also been noticed that two-thirds of the Least Developed Countries are worse off when compared to other developing countries. The Gross Domestic Product per capita has increased by a mere 0.9% per annum as a result of population growth. In most countries where there has been civil war or internal upheavals, the per capita GDP has dropped by 3% per year. Needless to point out that 85% of the world's population live in developing countries and have to share 20% of the world's riches.

On their part, the countries of the South can be classified into three groups by level of development:

- those referred to as emerging nations whose economic take-off is based on high growth rates and a strong involvement in world trade;
- middle-income countries, which, having overcome the problems of the very poor countries, still encounter some difficulty in embarking on the process of sustainable development;
- the group of least developed countries (LDCs), 48 of them, whose situation worsened in the 90s and which are still highly indebted.

While spiralling oil prices benefited the oil-producing countries, most developing nations saw their oil expenditure rise to the point of undermining all their economic revival efforts. An agreement to set the price of oil at 20 to 25 dollars per barrel would reduce this impact. Indeed, to have a precise evaluation of the pump price, which puts a strain on the household and, therefore, State budgets, one needs to add to this amount the cost of transportation, excessive government taxes and the effects of speculation.

Indeed, it must be pointed out that despite the trade barriers put up by the rich countries, the economic growth of developing nations continued to improve and stood at 5% in 2000. In spite of its numerous disadvantages, Africa is still a part of this positive development trend.

Improvement in the Growth Rate of African Economies

Going by statistics, African economies produced increased wealth in the year 2000. Indeed, some countries recorded remarkable performances, sometimes comparable to those of the emerging markets. These include Botswana (10%), Cameroon and Mauritius (6%), Benin (5.5%), Tanzania (5.2%), Mauritania and Tunisia (5%). Despite the serious flood recorded early in the year, Mozambique attained a 7% growth in G.D.P., with an inflation rate of 12%.

While several countries in the West, North and Southern Africa recorded a respectable rate of economic growth, their achievements were often reduced to nothing by the upsurge in population. Thus,

South Africa with a positive economic growth rate of 2.6% and a population growth of 2%, barely fell short of worsened rate of unemployment which affects 40% of its labour force. In spite of the corruption that had eaten deep into several economies, there was an appreciable progress in good governance (especially in Malawi, Mali and Cape Verde), which would attract potential private investors.

Whereas the increase in oil prices represented a windfall for Algeria, Angola, Gabon, Libya and Nigeria and rekindled the hopes of Morocco (which has a considerable oil reserve) as well as Chad and Sudan, it compromised the development or economic recovery measures taken by a number of non-oil producing countries.

The AIDS scourge which has been ravaging the continent's work force especially in the East and Southern African sub-region, combined with the civil wars in the Central and Great Lakes regions of Africa, has dangerously undermined development efforts despite the peaceful settlement of the conflict in the Horn of Africa. Indeed, it is worrisome to note that despite the right choice of economic policy and the abundance of mineral resources, Botswana would in the next ten years record a G.D.P. growth rate of 31% below what it would have normally achieved without the pandemic.

On the whole, the average G.D.P. growth rate for Africa in 2000 stood at 3.5%. With 13% of the world population, that achievement represents only 2.3% of the world G.D.P. as against 5% and 30.2% for North America, 12% and 32.4% for Europe/Russia, 61% and 26% for Asia, 8.5% and 7.3% for Latin America and the Caribbean Islands, and finally, 0.5% and 1.5% for the Oceania. The picture becomes even gloomier if it is recalled that the average revenue for the 20 richest nations is 37 times that of the 20 poorest countries of the world and that the gap between the two has doubled in the last twenty years.

During the year under review, most African currencies, which are also the major trading currencies of Africa Re, recorded drastic depreciation against the dollar, the Corporation's unit of account. Although this phenomenon led to improved competitiveness of African products and raw materials, it nevertheless resulted in exchange loss and reduction in premium income for the Corporation.

More Sustained Liberalisation/ Deregulation of the Insurance Industry and the Reorganisation of the Reinsurance Sector

Whereas a number of African markets were monopolistic in the beginning of the 1990's, the wind of liberalisation which blew across the world has introduced changes which became necessary due to the globalisation of the economy, including the insurance sector.

Whereas India, one of the continent's largest neighbours, is gradually opening up to foreign capital and thereby liberalising its insurance industry (a maximum of 26% participation in companies), most African markets have already reached the stage of deregulation. While it is intended to open up markets for full-blown competition, deregulation, actually has negative effects as it would result in premium rates that are too low to generate any positive margin, talk less of any balance in favour of reinsurers. A very large number of companies in the markets, including the smaller ones, favour this unhealthy trend of unbridled rate cutting, which most often destabilises the entire portfolio.

With regard to the reinsurance sub-sector, the cycle of rate cutting seemed to have ended in the year under review. Indeed, although reinsurance programmes were renewed at moderate conditions, the incidence of flood in Western Europe (France, Belgium and Germany) in December 1999 strengthened the conviction that it was necessary to drastically review contract rates, terms and conditions. Rates were reviewed upward in 2000 while the conditions became more stringent. While this situation resulted in higher tariffs, it could however not prevent the substantial withdrawal of capacity from the retrocession market. Although for several years, Alternative Risk Transfer was considered as a panacea, with potentials for a bright future, the low cost of traditional reinsurance has retarded this expansion. The return to the

fundamentals of reinsurance should open better prospects for innovative financial market players. The creation of reinsurance arms by large deposit and investment banks should also accelerate the emergence of customised products and derivatives that meet the needs of financial institutions and special clients.

The introduction of electronic commerce into reinsurance has currently widened the developmental prospects of the latter. Following their unimpressive performance in 1999, reinsurers now lay more emphasis on technical profit rather than capturing market shares. That explains the modest growth rate of reinsurance premium in the United States (3.4%). In other markets (in Europe and the third world), the rate would go up to and might even exceed 7%.

Furthermore, large brokerage firms that specialise in niche products are now offering innovative catastrophe covers: multi-annual products, a combination of the techniques of traditional reinsurance to create products that would satisfy both the needs of the clientele and the requirements of the Supervisory Authority.

The opening up of markets such as those of China, India, Brazil and South Africa has created a demand for reinsurance that was quickly satisfied by the excess capacity that existed in all the markets. Risk delocalisation also played the role of depriving several African markets of the opportunities for outstanding growth and a more promising horizon. Some peak risks, especially the oil risks, whose premiums are in millions of the United States Dollars, were entirely placed outside their area of domicile.

Africa Re which had learnt some lessons from its experience in unbridled competition recorded a significant growth (10.07%) in premium income (US$78.06 million) when compared with the previous year (1999: US$70.91 million). This achievement could only be attributable to increased marketing drive, sustained by a close, prompt and efficient service. To this can be added the development of the Oil and Energy portfolio as well as the acceptance of higher additional cessions. Indeed, if it were not for the serious currency depreciation in Ghana (107.86%), Burundi (15.80%), Guinea (37.50%), Kenya (7.21%), Libya (18.02%), Mauritania (12.38%), Malawi (73.16%), Mozambique (30.03%), Lesotho, Namibia, Swaziland and South Africa (22.94%), Nigeria (9.95%), Seychelles (16.70%), Tunisia (9.81%), Uganda (17.44%), Zambia (60.43%) and Zimbabwe (45.19%), the premium income would have reached US$82.60 million.

Although it was not as bad as in the previous year, the loss experience reflected the destructive flood in Mozambique, the fire incidents in factories in Kenya and Libya, the Kaduna refinery in Nigeria and the loss of marine cargo on its way to Ethiopia, Kenya and Zambia.

Convinced that the Corporation, which has a good image and considerable visibility, can venture into trading zones outside its current trading area, the Board and Management have adopted the strategic option of restructuring the institution in such a way that it can write substantial business from the Middle East and Asia. It is their belief that shareholders would support this policy through innovations in its structure and capital base that will be required for more promising prospects both in the African continent and in Asia whose economic situation has improved tremendously.

OPERATIONS

The Corporation operates from its Head quarters, three Regional and two local offices. As in the previous years, the business accepted are, for operational and reporting purposes, grouped as follows:

- Fire and Accident (including Engineering & Motor)
- Marine & Aviation, and
- Life

The production centres remain as indicated below:

- Anglophone West Africa, managed from Head Office
- Francophone West and Central Africa, covered by Abidjan Office
- North Africa, attended to by Casablanca Office
- East and part of Southern Africa, serviced by Nairobi Office which also supervises the

Johannesburg and Mauritius contact offices

- South Africa, and neighbouring Rand Zone handled by the Johannesburg contact office and
- African Indian Ocean Islands and South Asia covered by Port Louis Mauritius Office.

Business emanating from non-African sources is labelled as "inward international" or "world-wide" and can be written by all production centres.

The Head Office also administers the Corporation's Retrocession programmes (African Surplus and Excess of Loss treaties), African Aviation Pool and African Oil/ Energy Insurance Pool.

The statistics below provide an insight into the performance of the Corporation :

DESCRIPTION (US$000)	2000			1999		
	Gross	Retro	Net	Gross	Retro	Net
INCOME						
PREMIUM (Less Cancellations)	78,060	6,342	71,718	70,920	5,041	65,879
MOVEMENT IN PREMIUM RESERVE	(8,414)	(3,817)	(4,597)	5,963	2,719	3,244
EARNED PREMIUM	69,646	2,525	67,121	76,883	7,760	69,123
OUTGO						
LOSSES PAID	39,300	2,192	37,108	41,763	4,713	37,050
MOVEMENT IN LOSS RESERVE	(6,694)	(7,109)	415	11,139	4,211	6,928
INCURRED LOSSES	32,606	(4,917)	37,523	52,902	8,924	43,978

Premium Income

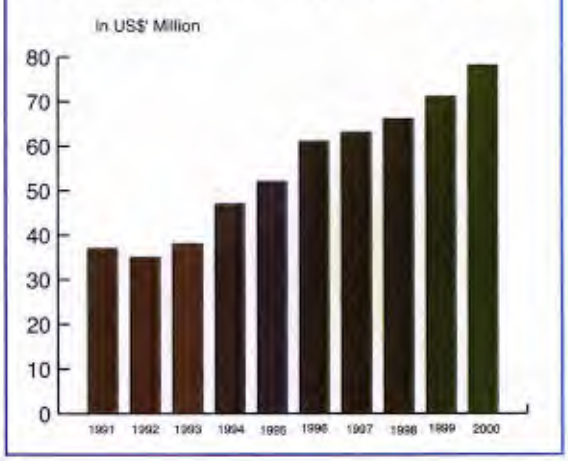
The production level achieved by the Corporation in 2000 stood at US$78.06 million and represents an increase of 10.07% over the corresponding figure of US$70.92 million generated in 1999. This growth would have been even more impressive (16.46%), but for the depreciation of most local currencies, against the United States Dollar- the Corporation's Unit of Account.

The level of premium income recorded was also affected by the intense competition in the industry and the increase in retentions of a number of companies, following the upward review of their capital base. The Corporation will continue to update its marketing strategy with a view to taking care of the foregoing constraints and thereby ensure that the growth of premium income is not impaired.

Development of Gross Premium

As indicated in the graph below, the premium income recorded in 2000 represents the highest level of achievement in the last ten years and, indeed, since the inception of the Corporation with an average growth rate of 7.75% over the past ten years.

DEVELOPMENT OF GROSS PREMIUM INCOME

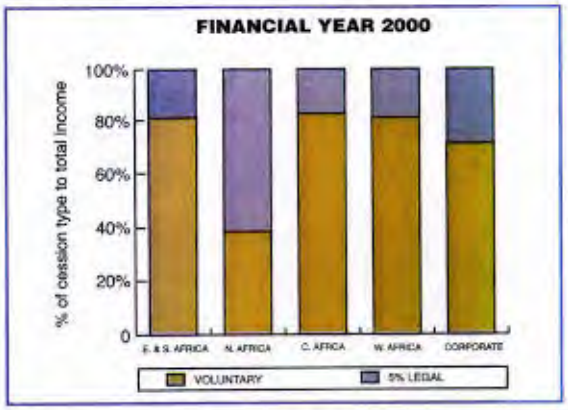


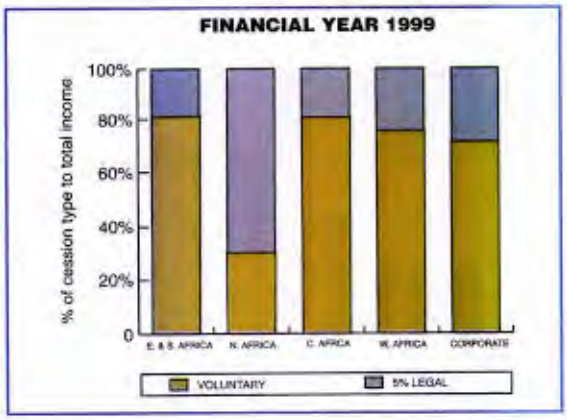
In terms of original currencies, the performance was quite impressive. The same factors, as noted in the previous year, were responsible for this achievement, namely:

- A relatively sound capitalisation level backed by security circle rating by Standard and Poor's.
- Acceptance of larger proportions of peak risks, following the review of the Corporation's reinsurance programme.
- Increased volume of voluntary cessions, in appreciation of the improved quality of services rendered by the corporation.

Voluntary Cessions

As would be observed from the chart below, the Corporation's desire to increase the level of income from voluntary cessions is being gradually realized. In year 2000 for instance, income from this source accounted for 68.92% of the total premiums accruing to the Corporation. This figure is higher than the corresponding proportion of 66.12% in 1999. The charts below indicate the levels of voluntary cessions achieved in 1999 and 2000:





Geographical Distribution

As in the previous years, East and Southern Africa produced the highest income. At a level of US$31.56 million in 2000, the region's production represents 40.43% of the corporate figure and exceeds the previous year's production of US$29.79 million by 5.94%. This income is split as follows:

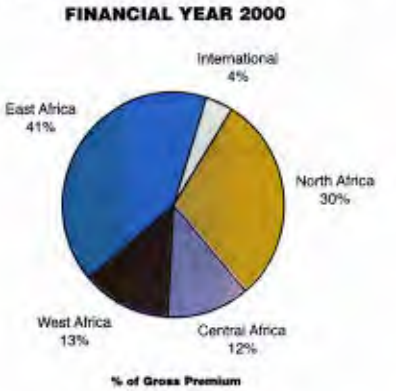
- Nairobi US$16.45 million
- Johannesburg US$8.75 million
- Mauritius US$6.36 million

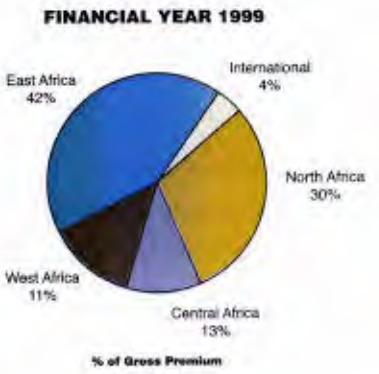
North Africa came second with an income of US$23.72 million, representing 30.39% of the overall production and 9.97% in excess of the income of US$21.57 million recorded in 1999.

With a premium income of US$10.01 million, representing 12.82% of the corporate figure, Anglophone West Africa took the third position. The income represents an increase of 31.36% over the corresponding figure of US$7.62m recorded in 1999 due to higher acceptance of peak risks in the region.

Next came Francophone West and Central Africa whose production level worked out to US$9.64 million or 12.35% of the corporate figure. The amount represents an increase of 3.88% over the US$9.28 million recorded in 1999.

The balance of US$3.13 million, or 4.01% of the corporate premium income for the year under review, came from the international market, as against US$2.66 million in 1999.





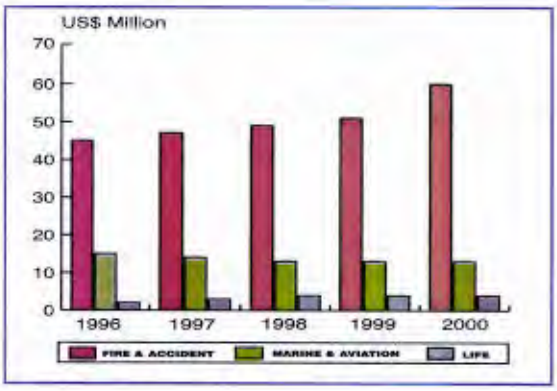
Sectoral Distribution

The Fire and Accident classes remain the major sources of income to the Corporation. In the year 2000, the total premium volume from these branches amounted to US$60.57 million, or 77.59% of the corporate production, as against 75.47% in 1999. It is also worth noting that this production level represents an increase of 13.17% over the 1999 figure.

A total premium income of US$13.88 million, accruing to the Corporation came from Marine and Aviation classes. This represents 17.78% of the corporate premium income, but 3.00% below the 1999 figure of US$14.30 million.

Life business accounted for the balance of US$3.61 million, or 4.63% of the overall premium income. This represents an increase of 16.45% over the figure of US$3.10 million recorded in 1999.

The foregoing observations are noted in the graph below:



OTHER INCOME

Long-Term Investments

During the year, the Corporation received an amount of US$7,069 being the 1999 dividend and representing a yield of 1.77% on book value of the shares in Afreximbank. As in the previous year, the Bank did not call the unpaid instalments on the shares subscribed. Following a request by the African Insurance Organisation (AIO), Africa Re subscribed to US$50,000 equity in the AIO computerisation project, out of which US$25,000 was paid. Apart from the financial viability of the project on its own merit, the investment is a further demonstration of the social responsibility of the Corporation towards its immediate constituency - the African insurance industry.

Income from Short-term Investment and other Sources

A total of US$3.61 million accrued to the Corporation from bonds, money market deposits and other short-term investments, compared to US$3.49 million recorded in the previous year. Total investible funds increased from US$54.40 million in 1999 to US$56.83 million at the end of the year under review.

The 4.5% increase in liquid assets resulted from the cashflow from investing activities as the technical payments exceeded the underwriting receipts for the second year running. Since the bulk of the liquid assets are held in term deposits, the Corporation benefited from the increase in rates by the United States Federal Reserve Bank during most of the year. During the last quarter of the year, the Corporation allocated an additional US$5 million to fixed income investments, thereby bringing the total fixed income portfolio to US$11.15 million representing 7.42% of total assets. This asset re-allocation is expected to further improve the overall investment returns in 2001.

Interest on bonds during the year amounted to US$0.43 million compared to US$0.51 million earned in 1999, while term deposits and call accounts generated a total income of US$2.86 million as against US$2.85 million achieved in the previous year.

Rental income earned on the letting of part of the Corporation's headquarters building during the year amounted to US$151,781. As all the lettable space have been fully taken up, annual rental income on the property is expected to stabilise at about US$250,000 from 2001.

Fee income receivable on the management of the African Aviation and Oil & Energy Pools stood at US$167,072 (1999:US$127,761). The increase is due, mainly, to the improvement on the premium income written by the pools.

OUTGO

Losses

The total claims paid amounted to US$39.30 million, as against US$41.76million in 1999. The claims expenditure in year 2000 worked out to 50.35% of the written premiums which is below the corresponding figure of 58.89%, recorded in 1999.

The incurred losses amounted to US$32.61 million, comprising paid losses of US$39.30 million and movement in reserve of US$6.69 million. The corresponding figures for 1999 were US$52.90 million, US$41.76 million and US$11.14 million respectively.

GROSS LOSS RATIO BY CLASS - FINANCIAL YEAR 2000 **CURRENCY: US$M**

CLASS OF BUSINESS	REGIONAL BUSINESS			INTERNATIONAL INWARD			TOTAL CORPORATE			1999
	Loss Incurred	Earned Premium	Loss Ratio %	Loss Incurred	Earned Premium	Loss Ratio %	Loss Incurred	Earned Premium	Loss Ratio %	Loss Ratio %
Fire & Accident (Including Eng.)	28.60	50.19	56.98	1.44	1.92	75.00	30.04	52.11	57.65	73.53
Marine & Aviation	0.09	12.96	0.69	0.01	0.90	1.11	0.10	13.86	0.72	43.01
Life	2.47	3.68	67.12				2.47	3.68	67.12	66.78
TOTAL	31.16	66.83	46.62	1.45	2.82	51.42	32.61	69.65	46.82	68.81

Loss Experience by Trading Area

- Anglophone West Africa's Division loss ratio improved from 39.17% in 1999 to 37.95%, which is lower.
- Francophone Africa's loss ratio also improved from 39.32% in 1999 to 37.71% in 2000.
- North Africa posted the same loss ratio of 46.37%, as in 1999.
- East and Southern Africa recorded a loss ratio of 59.94%. This represents a significant improvement when compared to a figure of 83.38% in 1999.

Commission and Charges

The net Commission and Charges for the year 2000 amounted to US$23.72 million compared to an amount of US$20.62 million for 1999. The 2000 figure represents 33.07% of the net premium, as against a corresponding ratio of 31.31% achieved in the previous year.

Management Expenses

Management expenses charged to the underwriting revenue account for the year amounted to US$4.52 million compared to US$4.19 million recorded in the previous year. The 8% increase in management expenses was due to the cost of maintaining the Headquarters building in the first half year when the Corporation was the sole occupant. The building has since been fully let and this should improve the management expenses ratio in 2001. The Corporation continued with the cost control measures introduced in 1998, while the strengthening of the US Dollar against the operating currencies led to some cost savings.

The ratio of management expenses to net premium improved from 6.36% in 1999 to 6.30% in 2000. Africa Re will continue to strive to further reduce the management expense ratio in line with internationally acceptable standards.

Other Expenses not Charged to the Underwriting Revenue Account

The cost of the statutory meetings held in 2000 amounted to US$386,081 compared to US$367,024 incurred in 1999. The 5% increase resulted from higher travel costs due to the location of the 2000 meetings. Audit fees amounted to US$40,000 while depreciation charge for the year increased to US$593,785 as against US$249,220 for the previous year due to the depreciation charge of the new Headquarters building. A provision of US$417,137 was made in respect of balances doubtful of recovery.

RESULTS OF THE CLOSED UNDERWRITING YEAR 1998

The Corporation continued to apply the policy of deferring the recognition of net income on an underwriting year for three financial years. Accordingly, the 1998 underwriting year, which had

been open for the past three years was closed on 31 December 2000.

Total premium income for the underwriting year amounted to US$62.85 million compared to US$56.59 million recorded for 1997. Retrocession premiums stood at US$3.50 million as against US$3.65 million ceded for underwriting year 1997, leaving a retained premium of US$59.35 million (1997:US$52.94 million). The retention ratio therefore improved slightly from 93.55% in 1997 to 94.43%, reflecting the restructuring of the African Surplus treaty in line with the Corporation's increased retention capacity.

Claims paid, net of reinsurance recoveries, amounted to US$28.08 million (1997:US$21.05 million) representing a claims ratio of 47.31% (1997:39.75%). Net commission and charges stood at US$19.36 million as against US$15.66 million in 1997, producing a ratio of 32.63% (1997: 29.57%).

Total management expenses charged to the underwriting year stood at US$4.20 million (1997:US$4.18 million) generating a technical surplus of US$7.71 million compared to US$12.06 million in the previous year. In accordance with the existing basis for the computation of reserves, an amount of US$12.41 million was established to cover the outstanding claims, including IBNR for the 1998 underwriting year. The balance of US$4.70 million representing the underwriting deficit was transferred to the profit and loss account.

RESULTS OF THE 2000 FINANCIAL YEAR

Gross written premium for the year amounted to US$78.06 million translating to a 10.07% increase over the US$70.92 million written in the previous year. The stiff competition and soft market conditions noted in 1999 continued throughout the year under review, despite the huge losses of the past year. The U.S. Dollars remained strong throughout the year causing significant deterioration in the exchange rates of most of the Corporation's trading currencies during the year.

Retained premium increased by 8.86% from US$65.88 million in 1999 to US$71.72 million, representing a retention ratio of 91.88% compared to 92.89% in the previous year. The increase in the level of reinsurance cover resulted from the special retrocession arrangement on some of the higher acceptances. Paid claims, net of reinsurance recoveries stood at US$37.11 million compared to US$37.05 million recorded in 1999, representing a claims ratio of 51.74% (1999:56.24%). Commission and other charges amounted to US$23.72million (1999:US$20.62 million) or 33.07% (1999:31.31%) of net premium.

Total underwriting outgo for the financial year amounted to US$60.82 million, which is an increase of 5.46% compared to the US$57.67 million recorded in 1999, while management expenses stood at US$4.52 million. The excess of income over outgo stood at US$6.37 million as against US$4.02 million achieved in 1999. Technical reserves increased by US$5.01 million, from US$64.44 million in 1999 to US$69.45 million.

The net underwriting income for the 2000 financial year therefore amounted to US$1.36 million compared to US$0.33 million achieved in 1999.

Income from investment and other sources stood at US$3.61 million as against US$3.49 million in the previous year, while interest on reinsurance deposits amounted to US$1.05 million (1999:US$0.98 million). The Corporation recorded an exchange loss of US$0.30 million compared to US$0.28 million in the previous year. Overall profit for the financial year amounted to US$4.28 million as against US$ 3.87 million achieved in 1999.

APPROPRIATION OF RESULTS

As has already been reported, the effect of the major claims experienced in 1999 continued in 2000 and was further compounded by the exchange loss recorded. Desirous to further consolidate the financial base of the Corporation, the Board recommends that the unappropriated profits be distributed as follows:

- US$2,140,640 to the General Reserve in accordance with Resolution N° 4/1992 ;
- US$700,000 to Other Reserves including the reserves for loss and exchange fluctuations ;
- US$5,000,000 to the Cumulative Translation Adjustment
- US$933,983 to be carried forward.

SCENES FROM PREVIOUS GENERAL ASSEMBLY SESSION

EXTERNAL AUDITORS REPORT

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P.O. Box 965, Lagos
Nigeria

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Fax: + 234 1 4970023
info@awdeloitte.com
www.deloitte.com

Akintola Williams
Deloitte
& Touche

REPORT OF THE EXTERNAL AUDITORS

TO THE SHAREHOLDERS OF AFRICAN REINSURANCE CORPORATION

We have audited the accompanying financial statements of **African Reinsurance Corporation** as at 31 December, 2000, which have been prepared on the basis of the accounting policies set out on page 28. The directors are responsible for the preparation of the financial statements. Our responsibility is to express an independent opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Corporation's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or other irregularity or error. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of African Reinsurance Corporation at 31 December, 2000 and the results of its operations and its cash flows for the year ended on that date in conformity with International Accounting Standards.

Akintola Williams Deloitte & Touche

Lagos, Nigeria
16 April, 2001

AFRICAN REINSURANCE
BALANCE SHEET AT

ASSETS	Note	2000	1999
		US$	US$
Cash and Short Term Maturities	3	3,071,182	14,295,066
Investments	4	55,684,594	42,006,673
Amounts due from companies on Reinsurance Accounts		22,562,614	23,644,642
Deposits retained by Ceding Companies		41,099,892	36,447,924
Sundry Debtors, Accrued Interest and Prepayments		1,759,628	1,628,949
		124,177,910	**118,023,254**
FIXED ASSETS	5	**14,029,793**	**12,259,016**
RETROCESSIONAIRES' SHARE IN RESERVE FUNDS	12	**12,035,173**	**15,326,649**
		150,242,876	145,608,919

Musa AL NAAS
Chairman

The accompanying notes form an integral part of this statement

CORPORATION
31ST DECEMBER 2000

LIABILITIES, CAPITAL AND RESERVES	Note	2000	1999
		US$	US$
Other Creditors, Accruals & Provisions		2,355,360	686,975
Dividend Payable	6	725,819	945,219
Amounts due to Companies on Reinsurance Accounts		12,040,361	10,428,156
Deposits due to Retrocessionaires		3,087,704	2,995,831
		18,209,244	**15,056,181**
Term Loan	7	**500,000**	**700,000**
PAID-UP CAPITAL	8	23,940,000	23,707,500
RESERVES			
Share premium		5,231,120	5,007,747
General Reserve	9	22,803,476	20,662,836
Other Reserves	10	6,694,238	5,994,238
Retained Earnings		933,983	4,493,343
Cumulative Translation Adjustment	11	(9,553,958)	(9,777,890)
		26,108,859	26,380,274
SHAREHOLDERS' FUNDS		**50,048,859**	**50,087,774**
REINSURANCE AND RESERVE FUNDS	12	**81,484,773**	**79,764,964**
		150,242,876	145,608,919

Bakary KAMARA
Managing Director

The accompanying notes form an integral part of this statement

AFRICAN REINSURANCE
PROFIT & LOSS ACCOUNT FOR THE YEAR

EXPENDITURE	Note	2000	1999
		US$	US$
General Assembly and Board of Directors' Meetings		386,081	367,025
Audit Fee		40,000	40,000
Depreciation and Amortisation	5	593,785	249,220
Other Expenses and Provisions		417,137	-
Profit for the Year		4,281,280	3,874,023
		5,718,283	4,530,268
APPROPRIATIONS:			
Transfer to General Reserve	9	2,140,640	1,937,011
Transfer to Reserve for Exchange Fluctuation	10	500,000	500,000
Transfer to Reserve for Loss Fluctuation	10	200,000	200,000
Transfer to Cumulative Translation Adjustment	11	5,000,000	5,000,000
Retained Earnings at 31st December		933,983	4,493,343
		8,774,623	12,130,354

The accompanying notes form an integral part of this statement

CORPORATION
ENDED 31ST DECEMBER 2000

INCOME	2000	1999
	US$	US$
Underwriting Profit	1,362,244	333,797
Income from Investments and Other sources	3,607,881	3,489,830
Interest on Reinsurance Deposits	1,053,485	983,631
Realised loss on Exchange	(305,327)	(276,990)
	5,718,283	4,530,268
Retained Earnings at 1st January	4,493,343	8,256,331
Profit for the Year	4,281,280	3,874,023
	8,774,623	12,130,354

The accompanying notes form an integral part of this statement

AFRICAN REINSURANCE
REVENUE ACCOUNT FOR THE YEAR ENDED

OUTGO	Gross	Retrocession	NET 2000	NET 1999
	US$	US$	US$	US$
LOSSES PAID	39,299,830	2,191,778	37,108,052	37,049,538
Add:				
Outstanding Loss Reserve at the end of the year	36,342,990	5,982,464	30,360,526	29,945,792
Deduct:				
Outstanding Loss Reserve at the beginning of the year	43,036,731	13,090,939	29,945,792	23,017,549
LOSSES INCURRED	32,606,089	(4,916,697)	37,522,786	43,977,781
COMMISSIONS	23,106,137	1,247,565	21,858,572	19,087,431
CHARGES	1,896,321	39,181	1,857,140	1,536,441
	57,608,547	(3,629,951)	61,238,498	64,601,653
MANAGEMENT EXPENSES			4,520,366	4,187,398
Underwriting Profit transferred to Profit & Loss Account			1,362,244	333,797
			67,121,108	69,122,848

The accompanying notes form an integral part of this statement

CORPORATION
31ST DECEMBER 2000

INCOME	Gross	Retrocession	NET 2000	NET 1999
	US$	US$	US$	US$
PREMIUM NET OF CANCELLATIONS	78,060,022	6,342,363	71,717,659	65,879,437
Add:				
Reinsurance Fund at the beginning of the year	36,728,233	2,235,710	34,492,523	37,735,934
Deduct:				
Reinsurance Fund at the end of the year	45,141,783	6,052,709	39,089,074	34,492,523
EARNED PREMIUM	69,646,472	2,525,364	67,121,108	69,122,848
			67,121,108	69,122,848

The accompanying notes form an integral part of this statement

AFRICAN REINSURANCE CORPORATION
UNDERWRITING RESULTS BY CLASS OF BUSINESS
FOR THE YEAR ENDED 31ST DECEMBER 2000

	Fire and Accident	Marine and Aviation	Life	TOTAL 2000	TOTAL 1999
	US$	US$	US$	US$	US$
Underwriting Income:					
Gross Premium	60,557,339	13,875,618	3,627,065	78,060,022	70,920,129
Less: Retrocession Premium	5,317,423	1,024,940	-	6,342,363	5,040,692
	55,239,916	12,850,678	3,627,065	71,717,659	65,879,437
Underwriting Outgo:					
Losses Paid	28,861,990	6,361,730	1,884,332	37,108,052	37,049,538
Commissions	16,582,337	4,505,633	770,602	21,858,572	19,087,431
Charges	1,414,291	401,046	41,803	1,857,140	1,536,441
Management expenses	3,506,806	803,521	210,039	4,520,366	4,187,398
	50,365,424	12,071,930	2,906,776	65,344,130	61,860,808
Excess of income over outgo	4,874,492	778,748	720,289	6,373,529	4,018,629
Reinsurance & Reserve Funds:					
At 1st January	42,281,461	19,015,737	3,141,117	64,438,315	60,753,483
	47,155,953	19,794,485	3,861,406	70,811,844	64,772,112
At 31st December (Note 12)	49,484,438	16,297,915	3,667,247	69,449,600	64,438,315
Underwriting Profit transferred to Profit & Loss Account	(2,328,485)	3,496,570	194,159	1,362,244	333,797

The accompanying notes form an integral part of this statement

AFRICAN REINSURANCE CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER 2000

	2000 US$	1999 US$
CASH FLOWS FROM OPERATIONS:		
Profit for the Year	4,281,280	3,874,023
Adjustments to reconcile operating profit to net cash generated from operations:		
Depreciation and Amortisation	593,785	249,220
Loss/(Profit) on sale of fixed assets	21,983	(8,307)
Reinsurance & Reserve Funds	5,011,285	3,684,832
Amounts due from Companies on Reinsurance Accounts	1,082,028	1,364,715
Deposits Retained by Ceding Companies	(4,651,968)	(2,309,526)
Sundry Debtors, Accrued Interest & Prepayments	(130,679)	(536,663)
Amounts due to Companies on Reinsurance Accounts	1,612,205	(5,388,308)
Deposits due to Retrocessionaires	91,873	123,004
Other Creditors, Accruals & Provisions	1,668,385	(68,574)
	5,298,897	(2,889,607)
Net Cash generated from Operations	**9,580,177**	**984,416**
Adjustments for non-cash items taken to Shareholders Funds:		
Cumulative Translation Adjustment	**(4,776,068)**	**(5,231,878)**
CASH FLOWS FROM INVESTING ACTIVITY:		
Proceeds on sale of Fixed Assets	4,613	15,002
Purchase of Fixed Assets	(2,391,158)	(3,455,018)
Investments (made)/realised	(13,677,921)	8,868,598
	(16,064,466)	**5,428,582**
CASH FLOWS FROM FINANCING ACTIVITY:		
Proceeds on sale of Shares	455,873	1,229,185
Long Term Loan repaid	(200,000)	(200,000)
Dividend Paid	(219,400)	(450,869)
	36,473	**578,316**
Net (Decrease)/Increase in Cash and Short Term Maturities	**(11,223,884)**	**1,759,436**
CASH AND SHORT TERM MATURITIES:		
At 1st January	14,295,066	12,535,628
At 31st December	**3,071,182**	**14,295,066**

The accompanying notes form an integral part of this statement

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2000

NOTE 1

OPERATIONS

The African Reinsurance Corporation was established by member States of the Organisation of African Unity and the African Development Bank as an inter-governmental institution for the purposes of:

(a) mobilising financial resources from insurance and reinsurance operations;

(b) investing in Africa such funds to help accelerate economic development; and

(c) fostering the development of the insurance and reinsurance industry in Africa by promoting the growth of national, regional and sub-regional underwriting and retention capacities.

NOTE 2

ACCOUNTING POLICIES

The Corporation's accounting policies are in general in conformity with standards adopted by the International Accounting Standards Committee and practices prevailing within the insurance industry. The following is a summary of the significant accounting policies adopted in the preparation of the financial statements:

(a) **Revenue Recognition**
Premiums and underwriting expenses are credited and debited respectively to the underwriting revenue account when advised by ceding companies.

(b) **Underwriting Revenue Account and Reinsurance and Reserve Funds**
All underwriting accounts are maintained on an underwriting year basis. The accounts of each underwriting year are kept open for three years during which the surplus of income over outgo is carried forward as Reinsurance Funds. By that time a sufficiently accurate determination of outstanding liabilities can generally be made to permit the account to be "closed" and the underwriting profit or loss determined. At the end of the third year of each underwriting year when the underwriting accounts are closed, the reinsurance funds are brought back to the revenue accounts of the said year and a Reserve Fund created on the basis of the Corporation's loss experience, to meet any outstanding claims. The adequacy of the Reserve Fund is reviewed at the end of each subsequent year in the light of projections of the ultimate development of premiums and claims and adjustments made accordingly.

(c) **Currency Translation**
The financial statements expressed in the various functional currencies of the member States are translated into the Corporation's reporting currency, the United States Dollar, using the closing rate method. Operational expenses are translated at rates prevailing at the date such expenses are incurred. The resultant unrealised translation adjustment is recorded as a separate component of Shareholders' Funds. Exchange differences arising from the settlement of monetary items are taken to profit and loss account.

(d) **Investments**
Short-term investments are stated at the lower of cost or market value. Long term investments are stated at cost unless there is a permanent decrease in their value, in which case a provision is made therefor.

(e) **Fixed Assets and Depreciation**
Fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated to write off the cost of fixed assets in equal annual instalments over the estimated useful life of each category of fixed assets using the following annual rates:

- *Freehold Land* - Nil
- *Freehold and Leasehold Property*: 2% or over the leasehold period if less than 50 years.
- *Furniture, Fittings and Equipment*: between 6.67% and 33.33%
- *Motor Vehicles* : 25%.

(f) **Debtors**
Debtors are stated at their realisable value. Debts considered irrecoverable are written off into the profit and loss account during the year.

(g) **Management Expenses**
Management expenses are apportioned to the classes of business in the Revenue Account on the basis of the net premium and wholly charged to the current underwriting year.

NOTE 3

CASH AND SHORT TERM MATURITIES

The balances include an equivalent of **US$ 1,812,295** (1999: US$ **4,932,070**) representing short term deposits in member States' currencies.

NOTE 4

INVESTMENTS

Investments at cost which include fixed income securities with a market value of **US$ 11,367,795** at 31st December, 2000 (1999: US$ **5,347,188**) are made up of:

	2000 US$	1999 US$
• Equity Participation		
Shelter-Afrique	1,020,000	1,020,000
The African Export - Import Bank	400,000	400,000
Others (Non-quoted companies)	502,722	477,722
	1,922,722	**1,897,722**
• Other Investments		
Bonds and other fixed income securities	11,151,339	5,470,110
Short-term deposits	42,610,533	34,638,841
	53,761,872	**40,108,951**
	55,684,594	42,006,673

NOTE 5

FIXED ASSETS

	Fixed Assets in Progress US$	Freehold & Leasehold Property US$	Furniture Fittings & Equipment US$	Motor Vehicles US$	Total 2000 US$	Total 1999 US$
COST						
At 1st January	9,097,924	2,349,286	2,681,813	443,340	14,572,363	11,216,988
Additions during the year	327,906	1,456,833	570,773	35,646	2,391,158	3,455,018
Disposals during the year	(9,371)	-	(587,313)	(990)	(597,674)	(99,643)
Transfers during the year	(9,088,553)	7,205,332	1,883,221	-	-	-
At 31st December	327,906	11,011,451	4,548,494	477,996	16,365,847	14,572,363
DEPRECIATION						
At 1st January	-	161,692	1,841,413	310,242	2,313,347	2,157,073
Charge for the year	-	180,844	342,360	70,581	593,785	249,220
On disposals during the year	-	-	(570,088)	(990)	(571,078)	(92,946)
At 31st December	-	342,536	1,613,685	379,833	2,336,054	2,313,347
NET BOOK VALUE						
At 31st December	327,906	10,668,915	2,934,809	98,163	14,029,793	12,259,016

Included in freehold property is an amount of US$8.24 million in respect of the Corporation's investment in the construction of the Headquarters building. About 57% of the lettable space are let out to third parties while the balance is occupied for own use.

NOTE 6

DIVIDEND PAYABLE

	2000 US$	1999 US$
Balance at 1st January	945,219	1,396,088
Amount paid during the year	(219,400)	(450,869)
Balance at 31st December	725,819	945,219

NOTE 7

TERM LOAN

This represents the outstanding balance in respect of a loan of US$1,000,000 obtained from Shelter Afrique to part finance the construction of the Corporation's Headquarters building. The principal plus interest is repayable in ten equal half-yearly instalments, beginning from December 1998.

NOTE 8

CAPITAL STOCK AND PAID-UP CAPITAL

(i)The Authorised Capital of the Corporation is US$ 50 million made up of 5,000 shares of US$ 10,000 each. Two-thirds of the share capital is available for subscription by the Member States of the Organisation of African Unity and the African Development Bank, while the remaining one-third is available to national insurance and/or reinsurance institutions of the Member States.

(ii) The paid-up capital is made up as follows:

	2000 US$	1999 US$
Capital Allotted and Subscribed	24,890,000	24,770,000
Called up and Unpaid	(950,000)	(1,062,500)
Subscribed and Paid-up Capital	23,940,000	23,707,500

NOTE 9

GENERAL RESERVE

	2000 US$	1999 US$
Balance at 1st January	20,662,836	18,725,825
Transfer from Profit & Loss Account	2,140,640	1,937,011
Balance at 31st December	22,803,476	20,662,836

NOTE 10

OTHER RESERVES

	Reserve for Exchange Fluct-uation US$	Reserve for Loss Fluct-uation US$	Total 2000 US$	Total 1999 US$
Balance at 1st January	3,794,238	2,200,000	5,994,238	5,294,238
Transfer from Profit & Loss Account	500,000	200,000	700,000	700,000
Balance at 31st December	4,294,238	2,400,000	6,694,238	5,994,238

NOTE 11

CUMULATIVE TRANSLATION ADJUSTMENT

	2000 US$	1999 US$
Balance at 1st January	9,777,890	9,546,012
Translation Adjustment for the year	4,776,068	5,231,878
Transfer from Profit & Loss Account	(5,000,000)	(5,000,000)
Balance at 31st December	9,553,958	9,777,890

NOTE 12

REINSURANCE AND RESERVE FUNDS

These represent the underwriting results of the still open years and reserves for outstanding claims for the closed underwriting years respectively. The composition is as follows:

	Fire & Accident US$	Marine & Aviation US$	Life US$	Total 2000 US$	Total 1999 US$
GROSS					
Reinsurance Fund	32,305,467	11,471,150	1,365,166	45,141,783	36,728,233
Reserve for outstanding claims	27,314,465	6,726,444	2,302,081	36,342,990	43,036,731
	59,619,932	18,197,594	3,667,247	81,484,773	79,764,964
LESS: Retrocessionaires' share					
in Reinsurance Fund	4,397,770	1,654,939	-	6,052,709	2,235,710
Reserve for outstanding claims	5,737,724	244,740	-	5,982,464	13,090,939
	10,135,494	1,899,679	-	12,035,173	15,326,649
Net Reinsurance and Reserve Fund	49,484,438	16,297,915	3,667,247	69,449,600	64,438,315

NOTE 13

TAXATION

No provision for tax is made in the financial statements, as the Corporation is not subject to tax in the markets in which it operates in accordance with Article 51 of the Establishment Agreement.

NOTE 14

RELATED PARTY TRANSACTIONS

A portion of the Corporation's underwriting business is transacted with ceding companies, which are shareholders of the Corporation

NOTE 15

CAPITAL COMMITMENTS

Commitments in respect of approved capital projects at the end of the year amounted to US$1,516,192 (1999: US$1,371,700).

NOTE 16

CONTINGENT LIABILITIES

Contingent liabilities in respect of pending litigation and/or arbitration involving the Corporation for which no provisions have been made in these accounts amounted to US$2,090,000 (1999: US$283,963). However, the actions are being defended and the Directors are of the opinion that no material liability would arise therefrom.