Africa Re

▪ Established in 1976 ▪ 41 African Member States

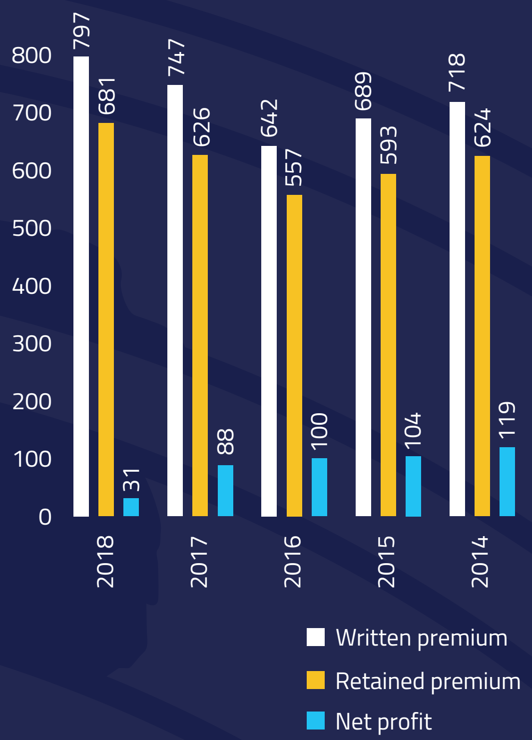
ANNUAL REPORT & ACCOUNTS

2018

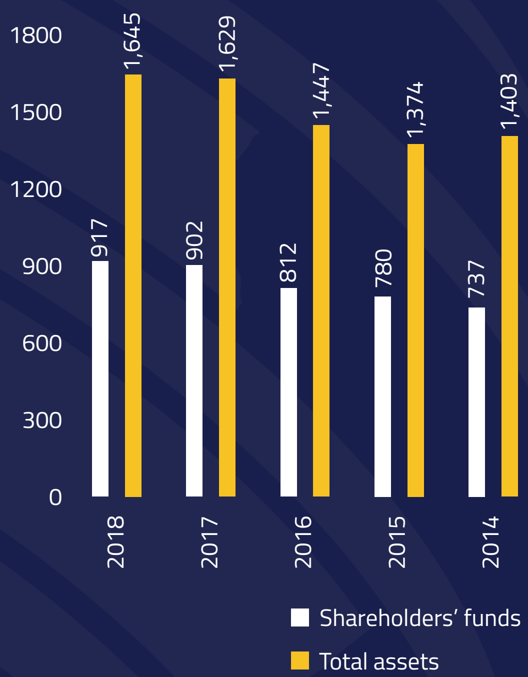
Financial highlights

In US$ '000	2018	2017	2016	2015	2014
Results					
Written Premium	797,415	746,829	642,024	689,291	717,525
Retained Premium	681,334	625,651	556,995	593,473	624,387
Earned Premium (Net)	673,554	606,896	567,532	590,820	614,445
Net Profit	31,269	87,982	100,202	103,645	118,504
Financial position					
Shareholders' Funds	917,047	902,039	812,311	780,071	736,925
Total Assets	1,644,648	1,628,545	1,447,299	1,374,464	1,403,266

Results 2014 - 2018
(in million US$)



Financial position 2014 - 2018
(in million US$)



Ratings		
A.M. Best	**A**	**A.M.Best** (Excellent/Stable Outlook)
Standard & Poor's	**A-**	**S&P** (Strong/Stable Outlook)

Proposed dividend per share

US$8

TABLE OF CONTENTS

African Reinsurance Corporation
Annual Report & Financial Statements

31 December 2018

African Reinsurance Corporation
General Assembly
41st Annual Ordinary Meeting

Tunis, Tunisia 17 June 2019

Honourable Representatives,

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 1 January to 31 December 2018.

Please accept Honourable Representatives, the assurance of my highest consideration.

HASSAN BOUBRIK

Chairman of the Board of Directors and General Assembly

BOARD OF DIRECTORS

Mr Hassan BOUBRIK
Chairman

Nationality:
Moroccan

Constituency:
Morocco: state and companies

Current Term ends in:
June, 2020

Mr BOUBRIK is currently the Chairman of the Supervisory Authority of Insurance and Social Security in Morocco. He holds degrees in Finance and Actuarial Science and is in charge of insurance supervision.

He previously served as Chief Executive Officer of a major finance conglomerate in Morocco and has held many board positions.

Mr Aguinaldo JAIME
Vice Chairman; Chairman of the Human Resources and Remuneration Committee

Nationality:
Angolan

Constituency:
States of East and Southern Africa and Sudan

Current Term ends in:
June 2020

Mr JAIME is the current President of the Angolan insurance regulatory authority (ARSEG). He has also occupied the following positions in Angola: Deputy Prime Minister, Governor of the Central Bank, Minister of Finance, President of the Angolan Agency for Private Investment (ANIP), First President of the Angolan Investment Bank – Banco Angolano de Investimento (BAI), Director of the Foreign Investment Board (FIB), and Director of Planning, Studies and Statistics of the Angolan National Insurance Company.

He holds a Bachelor's degree from the Faculty of Law of the University of Lisbon, a Law degree from Agostinho Neto University, a Master's in Business Administration (MBA) and a Master of Arts from the University College, London.

He is presently a visiting lecturer in business administration at the Angolan Catholic University, Catholic University of Oporto and Catholic University of Rio de Janeiro.

Dr Mohamed Ahmed MAAIT
Director and Chairman of the Audit and Finance Committee

Nationality:
Egyptian

Constituency:
Egypt: state and companies

Current Term ends in:
June 2021

He is the current Minister of Finance of the Arab Republic of Egypt. Dr MAAIT has a first degree in Insurance and Mathematics, M.Phil in Insurance, MSc and PhD in Actuarial Science. He is presently a visiting lecturer in different universities in Egypt, Chairman of the Egyptian Governmental Actuarial Department (EGAD) and member of several government committees and board member of several companies in Egypt.

Mr Boubacar BAH

Director and Member of the Human Resources and Remuneration Committee

Nationality:
Guinean

Constituency:
States and companies of francophone West and Central Africa

Current Term ends in:
June 2021

Mr Boubacar BAH is the Director of Insurance at the Central Bank of the Republic of Guinea. He holds a Master's degree in Law from the University of Dakar, Senegal and a Postgraduate diploma from the Centre for Economics, Banking and Financial studies in Paris, France. He has over 30 years of experience in the Central Bank of Guinea where he has held several top managerial positions amongst others, Director of Human Resources; Director of the Banking Sector; Head of the Legal Department.

Mr Hafedh GHARBI

Director and Member of the Human Resources and Remuneration Committee

Nationality:
Tunisian

Constituency:
Libya, Mauritania and Tunisia (states and companies)

Current Term ends in:
June 2021

He is the Chairman of the General Insurance Committee (Comité Général des Assurances), the supervisory authority of Tunisia. Mr Hafedh Gharbi has previously served as Managing Director of Banque Tunisienne de Solidarité (BTS) and Controller General of Finance. He holds a Master's degree in Economics and a Postgraduate Diploma in Public Finance from the National School of Administration of Tunis.

Mr Kamel MARAMI

Director and Member of the Human Resources and Remuneration Committee

Nationality:
Algerian

Constituency:
Algeria: state and 4 companies

Current Term ends in:
June 2021

Mr Marami is currently the Director of Insurance and member of the Insurance Supervisory Commission, Ministry of Finance, Algeria.

He is a professional insurer and holds degrees in Economics and Finance. Mr Marami equally has a Postgraduate degree in insurance.

Mr Patrick ANDRIAMBAHINY

Director and Member of the Risk Management & Information Technology Governance Committee

Nationality:
Malagasy

Constituency:
Anglophone West Africa (states & companies) and East and Southern Africa (companies))

Current Term ends in:
June 2020

Mr Andriambahiny is the current Chairman of the Committee of Insurance Companies in Madagascar (CEAM) and Managing Director of Compagnie Assurances Réassurances Omnibranches ARO – Madagascar.

He holds a Bachelor's degree in Economic and Social Administration from Maine University in France. He also has a Master's in Business Administration (MBA), a Postgraduate degree in Accounts and Finance (DESCF) and a Master's in Accounts and Finance. Mr Andriambahiny has served on the boards of several institutions in Madagascar.

Mr Jean CLOUTIER

Director and Chairman of the Risk Management and Information Technology Governance Committee

Nationality:
Canadian

Constituency:
FAIRFAX

Current Term ends in:
June 2021

He is the current Chairman of Fairfax International, Executive Committee Member of Fairfax Financial Holdings Limited and Vice President of International Operations. Mr Cloutier holds a Bachelor's degree in Actuarial Science from Laval University, Quebec City. He is a fellow of the Canadian Institute of Actuaries (FCIA) and Casualty Actuarial Society (FCAS), fellow of the Singapore Actuarial Society and fellow of the Society of Actuaries of Thailand.

Mr Mohammed KARI

Director and Member of the Risk Management and Information Technology Governance Committee

Nationality:
Nigerian

Constituency:
Nigeria: state and companies

Current Term ends in:
June 2021

Currently, the Commissioner for Insurance and Chief Executive Officer of the National Insurance Commission (NAICOM), the insurance supervisory and regulatory authority in Nigeria.

Mr Kari is a Chartered Insurer with over 36 years of experience in insurance and management, stretching from the private to the public sectors, where he has managed some of the biggest insurance institutions in Nigeria.

He was appointed Deputy Commissioner for Insurance in charge of technical operations, NAICOM, in April 2014, a position he held until 31 July 2015 when he was appointed substantive Commissioner for Insurance.

Mr Coenraad Christiaan VROLIJK

Director and Member of the Audit and Finance Committee

Nationality:
Dutch

Constituency:
Allianz SE

Current Term ends in:
June 2021

Mr Coenraad Christiaan Vrolijk, who holds a PhD in economics, is currently Allianz's Regional CEO for Africa and manages the business of Allianz across 17 countries. He is the Allianz representative on the Board of BIMA (Milvik), London as well as a member of the Audit and Risk Committee. At present, he is the Chairman of the Finance Committee and member of the Board of Governors of the International Baccalaureate Organisation in Geneva, Switzerland.

Apart from being a former lecturer of the Brown University in the United States of America, he has equally occupied top management positions in various companies in the past. He has served as CEO of Rosewood Insurance group in Switzerland; Managing Director of Black Rock in London; Partner of McKinsey & Company in Switzerland and research economist at the International Monetary Fund in Washington DC.

Mr Hassan El-SHABRAWISHI

Director and Member of the Audit and Finance Committee

Nationality:
Egyptian

Constituency:
AXA

Current Term ends in:
June 2021

Mr Hassan El-Shabrawishi is the current CEO / Strategic Development Officer for African business at AXA. He is also the Chairman of AXA Egypt, AXA Algeria, Microensure and AXA Africa Specialty Risk, as well as board member of AXA Morocco, AXA Senegal, AXA Côte D'Ivoire, AXA Cameroon, AXA Gabon and AXA Mansard in Nigeria. Mr Hassan El-Shabrawishi, who has previously occupied the position of AXA Group Chief Innovation Officer, holds an honours degree in Finance and Econometrics from Richmond University in the United Kingdom and an international MBA from IE Business School in Spain. He is a certified director from the National Association of Corporate Directors in the United States of America. Before joining AXA, he held several positions in the insurance sector and at the International Finance Corporation (IFC), a member of the World Bank Group.

Mr Joseph VINCENT

Director and Member of the Audit and Finance Committee

Nationality:
Belgian

Constituency:
African Development Bank (AfDB)

Current Term ends in:
June 2021

He trained in industrial psychology and worked in the non-profit sector for 5 years. Thereafter, Mr Joseph Vincent worked for 14 years in human resources for Japanese, American and European multinationals. For the past 25 years he has worked in senior management positions in credit and political risk insurance as well as risk mitigation of renewable energy projects. Mr Joseph Vincent has served as Chief Underwriting Officer at the African Trade Insurance Agency (ATI) and Senior Advisor Financial Products, International Agency for Renewable Energy (IRENA). He has also worked as Senior Advisor, Regional Liquidity Support Facility - a joint project of ATI and KfW, which provides guarantees to renewable energy independent power producers.

Alternate Directors

Yaw Adu KUFFOUR
Soufiane SAHNOUNE
Maurice MATANGA
Ashraf BADR
Ahmed SHUKRI
Delphine MAIDOU
Nouaman AL AISSAMI
Karanja KABAGE
Woldemichael ZERU
Olatoye ODUNSI
Peter IGNITS

EXECUTIVE MANAGEMENT

Mr Corneille KAREKEZI

Group Managing Director / Chief Executive Officer

After serving on the Board of Africa Re from 2003 to 2005, Mr Corneille KAREKEZI later joined the Corporation as the CEO Elect in July 2009 for a transitional period of 2 years during which he served successively as Deputy Managing Director and Deputy Managing Director / Chief Operating Officer, before rising to the current position of Group Managing Director / Chief Executive Officer in July 2011.

His professional career started in 1991 as Chief Accountant /Reinsurance Manager of the leading insurance company in Burundi (SOCABU s.m.), where he rose to the position of Head of the Finance Department. In 1995, he joined the leading insurance company in Rwanda (SONARWA s.a.) as Deputy Head of the Commercial & Technical Department. From 1996, he successively headed all the Technical Departments (Motor, Fire, Accidents & Miscellaneous Risks, and Life) and was appointed Deputy Managing Director in early 2001. In February 2008, he was appointed Chief Executive Officer of SONARWA s.a.

Mr KAREKEZI holds a Bachelor's degree in Economics (Burundi), Postgraduate diplomas in Business Administration (UK), a Master's degree in Management (Burundi) and an Honorary Doctorate in Business Administration (UK). He speaks French, English and Swahili fluently.

Since 1996, he has contributed significantly to the development of the insurance / reinsurance industry in Africa through his involvement in various national, regional and continental initiatives and organizations, as well his active participation as speaker in seminars, conferences, symposia and other fora.

He is the current Vice Chairman of Africa Re (South Africa) Limited and Africa Retakaful Corporation (Egypt), a Member of the Board of Shelter Afrique (Kenya) and a Member of the Executive Committee of the African Insurance Organization (AIO).

Mr Ken AGHOGHOVBIA

Deputy Managing Director / Chief Operating Officer

Since joining the Corporation in 1985, Mr Ken AGHOGHOVBIA worked in different capacities before rising to the position of Regional Director of the Anglophone West Africa Regional Office. He was the pioneer Regional Director of this Office when it was established in 2009 and played a pivotal role in the turnaround of the fortunes of the Regional Office, African Oil and Energy Pool and the African Aviation Pool.

Mr AGHOGHOVBIA holds a Bachelor of Science in Insurance (Nigeria) and a Master's degree in Business Administration (Nigeria). He is an Associate (ACII) and a Fellow (FCII) of the Chartered Insurance Institute (UK).

He has been a member of various regional professional committees.

Mr AGHOGHOVBIA became Deputy Managing Director / Chief Operating Officer on 1 July 2011.

CENTRAL DIRECTORS

Mr Séré Mady KABA

Corporate Secretary

Prior to joining Africa Re in 2003, Mr Séré Mady Kaba worked at the Central Bank of Guinea for twenty two years where he held various leadership positions including that of Director of Internal Audit and Director of Insurance.

He is an Inspector of Financial Services, a Certified Internal Auditor and member of the Institute of Internal Auditors (IIA). He holds a DES, with distinction, in Accounting and Financial Management from the University of Conakry. While serving as Director of Insurance, he became a Board Member of Africa Re (1995-1998), Alternate Director (2000-2003) and Member of the Accounting Sub-Committee of the International Association of Insurance Supervisors (1999-2003). Since joining Africa Re, he has served as Deputy Director Internal Audit in charge of Nairobi & Mauritius Regional Offices and ARCSA (2003-2010), Director of Technical Inspection and Enterprise Risk Management/Chief Risk Officer (2010-2014).

In April 2014, Mr KABA was appointed Corporate Secretary/Director of Risk Management and Compliance (DRMC) until July 2017 when the two departments were separated.

Mr Seydou KONE

Director, Finance and Accounts

Mr Seydou KONE joined the Corporation in 2010 as Director of Finance and Accounts after 15 years of experience in the insurance industry. He started his career with Deloitte as Auditor of insurance and reinsurance companies. He then joined NSIA Assurance and worked in different capacities including Director of Internal Audit. As Group Director of Internal Audit, he was also in charge of the accounts consolidation process.

In his current position, Mr KONE oversees finance, investments, dividends and the consolidation process of accounts in accordance with IFRS. Mr KONE holds a Bachelor's degree in Management and a Master's degree in Finance and Accounting from Université de Côte d'Ivoire.

Mrs Marie-Agnès SANON

Director, Risk Management and Compliance/Acting Director, Central Operations and Special Risks

Before joining Africa Re in 2007 as Senior Underwriter Treaty and Facultative in the Nairobi Office, Mrs Sanon was an Inspector in the Department of Insurance Supervision, Ministry of Finance in Ouagadougou (Burkina Faso) from 1984 to 1988.She worked in Allianz Burkina Faso from 1988 to 2000 as Head of the Department of Reinsurance, Marine and Corporate Property risks. From 2001 to 2006 Mrs Sanon worked in CICA-RE as Treaty Underwriter in charge of French - speaking West Africa.

In July 2010, she was appointed Regional Director of the Mauritius Office. Mrs Sanon assumed duty on 19 December 2017 at the Head Office in Lagos as Director of Central Operations and Special Risks (DCOSR) and on 9 March 2018 she was appointed Director of Risk Management and Compliance.

Mrs Sanon holds a Bachelor's degree in Economics, a Master's degree in Economics and a Postgraduate diploma in Insurance from the International Insurance Institute in Yaounde, Cameroon.

Mrs Sanon has over 33 years of experience in the insurance /reinsurance industry.

Mr Raphael Uhunoma OBASOGIE

Director, Human Resources and Administration

Mr Raphael Obasogie started his career at the Port Harcourt Refinery in 1985 where he did his compulsory national service and was subsequently retained on a short-term contract.

He was HR Director designate at Elder Dempster Nigeria, Acting Head of HR at Nestle Nigeria, Corporate Industrial Relations & Employee Communication Manager at Shell Petroleum Nigeria and General Manager Human Resources at Addax Petroleum Nigeria.

Mr Obasogie holds a Bachelor of Science in Industrial Psychology and a Master of Business Administration (MBA). He is a Fellow of the Chartered Institute of Personnel Management (Nigeria), an Associate of the Chartered Institute of Personnel Development (UK) and a member of the National Labour Advisory Council of Nigeria.

Mr Obasogie joined Africa Re in November 2013 as Director of Human Resources and Administration.

Mr David MUCHAI

Director, Internal Audit

Mr David Muchai joined the Corporation in October 2016 as Director of Internal Audit. Prior to joining Africa Re, he was a Senior Finance Manager in the Group Reinsurance Unit at Aviva Plc, London. He also worked as European Accountant for ACE Life (a subsidiary of ACE Group) with responsibility for the United Kingdom and seven branches across the European Union. Mr Muchai also served as a Senior Audit Executive with Ernst & Young in London where he focused on the audit of The Society of Lloyds, insurance and asset management companies.

Mr Muchai is a qualified Accountant and a member of the Institute of Certified Public Accountants of Kenya. He also holds a Master's degree in Financial Economics from Kingston University (United Kingdom).

Mr Chris SAIGBE

Director, Life Operations

Mr Chris Saigbe has worked as a life insurance specialist in Nigeria for several years before moving to the African Reinsurance Corporation in January 2009. His experience in life insurance and reinsurance management spans over twenty-five years. He holds a Bachelor of Science in Economics from Obafemi Awolowo University and a Master's degree in Economics from the University of Lagos both in Nigeria. Mr Saigbe obtained a Master of Business Administration from Moi University in Nairobi, Kenya. He is an Associate member of the Chartered Insurance Institute of Nigeria and a Certified Personal Financial Planner. His wealth of experience in direct life assurance operations and reinsurance comes in handy in leading the life team to fashion appropriate life reinsurance treaties and manage the reinsurance expectations of clients.

REGIONAL DIRECTORS, MANAGING DIRECTORS OF SUBSIDIARIES AND LOCAL REPRESENTATIVE

Mr Mohamed Larbi NALI

Regional Director, Casablanca Office

Mr Mohamed Larbi NALI joined Africa Re in July 2016. He started his career in 1993 as Director of the Life Department in Société Centrale de Réassurance (SCR). Between 1997 and 2012, he successively held many positions namely, Director of the Actuarial Department, Deputy Director in charge of Marketing and Operations. In 2012, he was appointed Managing Director of Société Centrale de Réassurance (SCR).

He is the founder of the Moroccan Association of Actuaries and was its Chairman from 2010 to 2013. Mr NALI was also the Chairman of the African Centre for Catastrophe Risks (ACCR), Vice- Chairman of the African Insurance Organisation (AIO) and Vice-Chairman of the General Arab Insurance Federation (GAIF).

He holds a Postgraduate degree in Mathematics from the Catholic University of Louvain in Belgium and a Maîtrise in Actuarial Sciences from the Business School of the Catholic University of Louvain.

Mr Léonidas BARAGUNZWA

Regional Director, Ebene Office in Mauritius

Since joining the insurance industry in 1987, Mr Léonidas Baragunzwa has worked in different capacities in various insurance entities. Prior to Africa Re, he served as Underwriter, Survey Engineer and Manager at Société d'Assurances du Burundi, trainee Actuary at Aon Belgium in Life & Pensions Department, Actuary at AG Insurance Belgium, Chief Actuary and Assistant Director Underwriting & Special Risks before rising to the position of Director of Central Operations & Special Risks at Africa Re in January 2014. On 1 January 2017 he was appointed Regional Director, Ebene Office in Mauritius.

Mr BARAGUNZWA holds a Master's degree in Civil Engineering (Belgium) and a Master's degree in Actuarial Science (Belgium). He is a Fellow of the Institute of Actuaries in Belgium.

Mr Omar GOUDA

Regional Director, Cairo Office and Managing Director of Africa Retakaful Company

After graduating from university in May 1982, Mr Omar Gouda joined the Egyptian Insurance Supervisory Authority. He has occupied technical positions in different insurance companies in Egypt and abroad and has been a member of many technical committees and boards of companies and institutions.

He served as Technical Affairs General Manager of the oldest insurance company in the region - National Insurance Company of Egypt. Mr Gouda was also CEO/GM of AlAhlia Insurance Company in Saudi Arabia until February 2003, before moving to ESIH, Egypt as CEO/GM.

In October 2003, he joined Africa Re as Local Representative of the Cairo Office and became the first Regional Director of the Office in May 2005, after successfully concluding the office establishment Agreement with the Egyptian Government.

In 2010, Africa Re set up Africa Retakaful Company and Mr Gouda became the pioneer Managing Director of the subsidiary in addition to his position as Regional Director of the Cairo Office.

Mr Olivier N'GUESSAN-AMON

Regional Director, Abidjan Office

After spending seven years as head of production in life and non-life insurance companies in Côte d'Ivoire, Olivier N'guessan became Director of SCOR Office for French-speaking West and Central Africa. He served as Managing Director of Compagnie Nationale d'Assurance for three years before joining Africa Re in 2005 as a Senior Underwriter. He was Deputy Regional Director from January 2008 to March 2011 when he was promoted to the position of Regional Director of the Abidjan Office.

Mr N'GUESSAN holds a Master's in Business Economics from Université Nationale de Côte d'Ivoire- Abidjan Cocody and a Postgraduate diploma in Insurance from the International Insurance Institute of Yaounde, Cameroon.

Mrs. Funmi OMOKHODION

Regional Director, Lagos Office

Having served as Interim Regional Director, Mrs Funmi Omokhodion was appointed Regional Director of the Lagos Office in January 2018.

Prior to this appointment, Mrs Omokhodion, who started her career in Africa Re, held various positions in the Corporation such as Senior Underwriter (treaty & facultative), Assistant Director Technical Operations and Deputy Regional Director amongst others. She has also worked for the African Oil & Energy and Aviation Pools, managed by Africa Re.

Mrs Omokhodion holds a Bachelor of Arts degree from the University of Ilorin, Nigeria and an Executive MBA degree from ESUT Business School, Nigeria. She is an Associate member of the Chartered Insurance Institute (ACII), UK.

Mr Ephraim Kiiza BICHETERO

Regional Director, Nairobi Office

Mr Ephraim Kiiza BICHETERO started his career in 1994 as Underwriter trainee in Pan World Insurance Uganda. He rose to become head of the reinsurance department. In 1998, he joined Goldstar Insurance Uganda as head of underwriting, claims and reinsurance and eventually became Assistant General Manager. In 2002, he was recruited as Head of Technical Operations in charge of underwriting, reinsurance and claims in the then United Assurance Ltd (now UAP Old Mutual General Insurance Uganda Ltd).

Mr BICHETERO joined Africa Re as Underwriter in June 2004 at the Nairobi Regional Office. He subsequently rose through the ranks to become Assistant Director Technical Operations and Deputy Regional Director. In July 2017, he was appointed Interim Regional Director and in January 2018, he became the Regional Director of the Nairobi Regional Office.

Mr BICHETERO holds a Bachelor of Arts from Makerere University, Kampala, Uganda and an Executive MBA degree from the United States International University, Nairobi, Kenya. He is also a holder of an Associate Diploma from the Chartered Insurance Institute, London (ACII). Mr BICHETERO has served as a member of many insurance technical committees in Uganda and Kenya.

Mr Andy TENNICK

Managing Director of the subsidiary, African Reinsurance Corporation South Africa (ARCSA)

After graduating from university in 1986, Mr Tennick joined Swiss Re in Johannesburg as a graduate trainee. During a 14-year career, he worked in various capacities culminating in management of the underwriting and subsequently the client management functions.

He then joined the Imperial Holdings Group in Johannesburg and set up Imperial Reinsurance before moving to the Group's insurance business, Regent Insurance, as an executive director with various responsibilities including underwriting, reinsurance and risk management. He was joint CEO of the Regent Insurance Group at the time he left the Group.

Mr Tennick holds a Bachelor of Commerce degree from the University of Cape Town and is an Associate (ACII) and Fellow (FCII) of the Chartered Insurance Institute (UK).

He became Managing Director of African Reinsurance Corporation South Africa in April 2018.

Mr Habtamu DEBELA

Local Representative, Addis Ababa Local Office

Mr Habtamu DEBELA started his career with the Ethiopian Insurance Corporation in 1997. He worked in different capacities and rose to the position of Executive Officer for Insurance Operations in various insurance companies in Ethiopia. Mr Habtamu Debela holds a Diploma in Accounting, BA in Business Administration and Executive MBA.

He became the Local Representative of Addis Ababa Local Office in April 2018.

Mr Hassan BOUBRIK
Chairman

Chairman's Statement

I am pleased to present the 41st Annual Report of the Board of Directors of the African Reinsurance Corporation (Africa Re) including the 2018 financial statements. This report also includes a review of the Corporation's operating environment, report of the external auditors to the shareholders as well as reports on capital management, enterprise risk management, corporate governance, compliance, corporate social responsibility and human resources.

Corporate Financial Performance

Africa, our core market, realised an economic growth in 2018 estimated at 3.7%, slightly below the 3.8% achieved in 2017. However, this growth was clouded by external shocks induced by the escalation in global trade tensions, rising interest rates in the United States, uncertainty around Brexit and weak commodity prices in 2018. Furthermore, major commodity exporting countries grew marginally and some even experienced declining growth. Countries like Angola recorded an estimated decline of 0.7% and bigger countries like Nigeria (+1.9%) and South Africa (0.8%), dragged down Africa's average growth.

Despite the global economic slowdown, the Corporation's gross written premium grew by 6.77% in 2018 to reach US$ 797.42 million from US$ 746.83 million in 2017. Given a situation where the exchange rate remained stable, gross written premium would have amounted to US$ 837.12 million thereby resulting in a 12.09% growth in 2018. The good performance in gross premium income in 2018, was underpinned by new treaty business acquired in almost all the regional markets Africa Reserves. Markets of South Africa, Senegal and Republic of Congo performed particularly well, especially in the energy sector.

Net earned premium, after adjusting for the movement in unearned premium provision and retrocession, amounted to US$ 673.55 million up from US$ 606.89 million in 2017. The 10.98% annual growth of net earned premium, represents an annual increase of US$ 66.65 million. This growth was a windfall and the Corporation would have made the most of this good fortune to attain a handsome net profit at the end of the year 2018, were it not for the bad fortune in claims and investment income.

Retroceded premium during the year totalled US$ 119.60 million, as against US$ 111.92 million in 2017. The retrocession programme remained the same as it continued to rely mainly on excess of loss (XL) covers for the regular risks assumed, while arranging special covers in respect of the major oil and petrochemical risks accepted. The retrocession market continued to be largely soft, allowing the Corporation to reduce its retrocession spending or improve its buying terms and conditions.

Net acquisition cost, made of reinsurance commissions and charges, including change in deferred acquisition costs, increased by 17.77% from US$ 166.92 million in 2017 to US$ 196.58 million in 2018. This represents a deterioration in the net acquisition cost from 27.50% in 2017 to 29.19% in 2018. The increase is due to a change in the accounting of profit commission for solvency relief contracts, estimated at US$7.8 million, which was booked in 2018 in reinsurance commissions and charges rather than in claims as in previous years. Adjusted net acquisition cost ratio of 28.03% is closer to the 5-year average of 27.42% and the slight increase may have resulted in increased commissions paid to cedants/insurers in other proportional treaties.

Gross claims paid in 2018 grew by 9.2% to US$ 461.09 million (2017: US$ 422.26 million) while the gross incurred loss ratio slightly improved to 58.13% from 58.74% the previous year.

Net incurred loss ratio reached 61.07% in 2018 up from 60.41% in 2017. This ratio is indeed higher than the 3-year and 5-year averages of 56.26% and 57.11% respectively, a sign of the bad claims experience in 2018 due to a combination of higher frequency and severity of large claims, South African catastrophe claims run-off from 2016 and 2017 and unfavourable claims experience on motor and medical quota share treaties.

During the year, operating expenses and capital expenditure were kept within the approved budget. Management Expenses for 2018 increased by 6.47% to US$ 44.96 million. Management expense ratio, including provision for bad debts, decreased to 6.68% (2017: 6.96 %), mainly due to the 10.98% growth in net earned premium.

With the increase in claims ratio, net combined ratio ended at 96.93% in 2018, well above the 91.52% average for the period 2014-2018. Average performance for the 5 years of the 5th Strategic Plan compares favourably with the 96.12% recorded by global reinsurers and 92.93% achieved by African reinsurers during the same period.

The Corporation's net underwriting profit (including management expenses) dipped by 33.50% to reach US$ 20.70 million in 2018, compared to US$ 31.12 million the year before. This unforeseen and unprecedented decline resulted from natural catastrophe claims as well as separate large claims in South Africa, Egypt, Middle East and West Africa.

The Corporation recorded a slump on average return on investment as investment and other income decreased by 60.40% to stand at US$ 24.87 million compared to US$ 62.80 million in 2017 due to the extremely poor performance of the equity and fixed income markets. As a result of this situation, uncovered only at the close of the year, Africa Re missed its projected target for investment income made earlier in the year on the basis of financial analysts' insights. Indeed, December 2018 was the worst month for equity markets in the United States since 2008, despite the positive news on the American economy.

In 2018, the Board adopted the international accounting standard IAS 21 – *Effects of Changes in Foreign Exchange Rates*, which the Corporation has started to apply. The income statement is therefore impacted, positively or negatively, by the relative fluctuation of the exchange rates of the foreign currencies (currencies of various African countries), converted into the functional currencies (selected reporting currencies of the various regional offices and subsidiaries) and consolidated in the presentation currency of Africa Re Group (US dollar). The total effect of changes in exchange rates, which was prior to 2018 recorded in the shareholders' equity account, is a loss amounting to US$ 14.98 million. This loss has been recorded in the income statement thereby reducing the net profit for the year.

Despite a good performance in premium income, the high level of claims, a drastic drop in investment income and the negative effect of the exchange rates, contributed to the erosion of the final overall profit. The overall net profit decreased by 64% to stand at US$ 31.27million against US$ 87.98 million in 2017.

Shareholders' funds slightly grew by 1.66% to reach US$ 917.05 million in 2018 representing 56% of the total balance sheet.

Given the low net profit in 2018, return on equity logically ended up at its lowest level in a decade at 3.44%.Despite this stumble, the 2014-2018 Strategic Plan period ended with a strong 11.31% return on average equity (RoAE). This is a record performance compared with 7.34% and 9.52% achieved by international reinsurers and African reinsurers respectively, during the same period.

Corporate strategy 2019-2023

Looking back at the just completed strategy period 2014-2018, we can say that Africa Re performed very well, compared to its strategic objectives for the 5- year strategy period and to international and regional benchmarks. During this strategy period, the Corporation recorded an average annual growth rate of 3.87% in US dollars, an average investment return of 3.76%, an average combined ratio of 91.52% and an average return on equity of 10.98%.

However, during the development of the 6th Corporate Strategic Plan for the period 2019 to 2023, the Board of Directors and Management recognized generally, that the global reinsurance industry is increasingly challenging. This challenging environment is characterized by volatility, uncertainty, high frequency of natural and man-made catastrophes and oversupply of capital leading to stiff competition, low premium rates and deterioration of underwriting terms and conditions. In the context of an African reinsurer, the Corporation will continue to suffer the consequences of currency depreciation, social, economic and political instability as well as climate change.

Despite challenging and tough conditions, the Board of Directors and Management remain positive and confident that the above market performance will continue to be achieved thanks to various advantages gained in the past, including strong capitalization and financial ratings, competent human resources and a good brand. Although the pricing environment and its current long-term adequacy have deteriorated, the Corporation believes that the African reinsurance market will continue to offer good opportunities for growth and decent profitability for reinsurers that are more diversified, flexible, innovative and ready to adapt to a fast-changing environment.

Operating largely in the same markets as previously and deploying adequate capabilities, the Corporation has winning aspirations for the period 2019-2023. Accordingly, by 2023, Africa Re aims to achieve an average growth rate of above 6% for its top line, to cross the US$ 1 billion figure, while maintaining a combined ratio of around 91% and a return on equity above 8%.

Africa Re will build on its strengths to deploy a cautiously aggressive strategy in order to take advantage of unfolding opportunities through portfolio optimization and growth, customer centricity, operational excellence and team culture.

Corporate governance and risk management

In 2018, the Board of Directors held four plenary meetings, various Committee meetings and two strategy development meetings during which key decisions were taken, policy implementation monitored, oversight of controls performed and guidance provided to Management. In addition to the usual supervision of strategy implementation and guidance in critical operational matters, the Board updated the investment policy and guidelines, approved a new risk appetite framework and own risk and solvency assessment (ORSA), adopted the retrocession programme and approved some investment projects and equity participation.

The most important guidance performed by the Board of Directors was the smooth and successful exit of IRB Brasil Re from the Corporation's shareholding and the entry of Allianz SE, thereby reinforcing the strategic partnership with leading players in the industry.

Finally, the Corporation retained its financial ratings in 2018 at full A with a Stable Outlook by A.M. Best and A - with a Stable Outlook by Standard & Poor's.

Outlook for 2019

Due to its resilience and strong capital base, the Corporation posted a decent growth and profit in 2018 despite unprecedented natural catastrophe claims and large claims in some of its markets, coupled with the fact that 2018 is the worst year in financial markets around the world since 2008.

It is predicted that the global economy will weaken in 2019. Growth will stand at 3.3% (2018: 3.6%) as projected by the IMF in April 2019 while the economies of our core markets, Africa and the Middle East, may achieve similar levels of growth as in 2018.

Economic growth in Africa will continue to be dampened by the strengthening dollar, fluctuating commodity prices and trade uncertainty. Even with these headwinds, growth is estimated at 3.4%, below the average of other emerging markets.

The Corporation will continue to leverage on its competitive advantage in the continent namely, skilled human capital, geographical spread, internal strengths and distinctive competences proven over the years.

We see 2019 as a better year compared to 2018, on the basis of a successful January 2019 renewal season, corrective measures in our business and investment portfolios to achieve profit stability and a positive outlook for the investment environment. After a year of poor investment returns, 2019 and subsequent years are likely to witness sustained economic growth and good, albeit more limited returns.

Final note

On behalf of the Board of Directors, I would like to say thank you to all of you who contributed to the performance achieved in 2018, from Africa Re staff in all our locations to Management led by Mr Corneille Karekezi, and our Shareholders.

Thank you for your dedication, hard work, commitment and support in 2018.

More importantly, our gratitude also goes to all ceding companies, brokers and business partners, without whom our Corporation cannot survive and thrive as it does.

Thank you.

Hassan Boubrik
Chairman

Mr Corneille KAREKEZI
Group Managing Director /
Chief Executive Officer

MANAGEMENT REPORT

I. ECONOMIC & TRADE ENVIRONMENT IN 2018

Global economy: weakening expansion and falling stock markets

Global growth was projected to reach 3.9 % in 2018 but ended at 3.7%. The rate of expansion appears to have peaked in some major economies and growth was less synchronized. In the United States, near-term momentum strengthened and the US dollar was forecast to keep an upward trend against the other major world currencies.

With uncertainties surrounding Brexit and the budget deficit in some major economies of the Eurozone, growth in the region slowed down from 2.4% in 2017 to 1.8% in 2018.

Emerging markets, driven by India and Latin America, closed the year 2018 with a performance of 4.6% slightly below 5.6% of the previous year. The Chinese economic growth was 6.5%, down from 6.9% in 2017, amid trade tensions with the United States. Despite political and economic challenges, India achieved a better growth in 2018 (7.3%). Volatility of crude oil prices and the drop in non-fuel commodity prices contributed to this limited growth.

Sub-Saharan African low-income countries recorded a 3.1% growth in 2018 compared to 2.7% in 2017. Growth continued to gradually improve in commodity exporting countries, backed by supportive expansionary policies and a generally positive economic sentiment.

Financial markets: ugly performance of stocks and other assets

As regards financial markets, 2018 will be remembered for extreme volatility driven by signs of a global economic slowdown, trade wars, concerns about monetary policy, political dysfunction, inflation fears and worries about increased regulation of the technology sector. The year 2018 was a record-setting year for stocks. It is a year that investors would rather forget. It is the worst year for stocks since 2008 and the second year in the past decade, in which the Dow and S&P 500 fell.

All stock markets in the United States, Europe and Asia fell: Dow (-5.6%), S&P 500 (-6.2%), NASDAQ (- 4%), Euro Stoxx 600 SXXP (-13.2%), China's Shanghai Composite SHCOMP (-24.6%), Hong Kong's Hang Seng Index HSI (-13.6%), Japan's Nikkei 225 Index NIK (-12.1%). Emerging-market stocks were punished in part by a stronger dollar, with the iShares MSCI Emerging Markets ETF EEM (-1.85%) falling over 17%.

The year 2018, particularly the last four months, was rough for equity investors on the African capital markets. Only 2 out of 17 African exchanges managed to buck the global trend, as judged from the performance of the main indices for investors looking for US dollar returns, although 4 out of the 17 had a positive return for local currency investors. However, the main exchanges performed poorly both for return in local currency and in US dollars: Johannesburg Stock Exchange (-11.37%; -27.90%), Nigerian Stock Exchange (-21.28%; -18.60%), Casablanca Stock Exchange (-11.30%), Nairobi Stock Exchange (-21.32%; -16.80%) and Egyptian Exchange (-9.74%; -13.80%).

As noted, a down year for stocks was uncharacteristically also a down year for bonds. The -0.44% yield on the 10-year U.S. Treasury note TMUBMUSD10Y, rose by 27.6 basis points in 2018. The yields and debt prices move in opposite directions. The +0.28% yield on the iShares Core U.S. Aggregate Bond ETF AGG, fell by 2.6% in 2018, the biggest decline since 2013.

On the commodity front, gold futures US: GCG9 ended the year on a strong note but were still poised to log a nearly 2% annual loss, based on the most-active contract.

As for the dollar, the ICE U.S. Dollar Index DXY (-0.10) which tracks the currency against a basket of six major rivals, fell 1.2% in December, trimming its 2018 gain to 4.3%, still its strongest rise since 2015.

African economy: recovery, rising risks and stumbling capital markets

The African economy grew by 3.4% in 2018 while sub-Saharan Africa remained at 2.8% in 2018, the same as in 2017. Inflation is abating, fiscal imbalances are being contained in many countries and currencies are stabilizing against the US dollar. It is expected that economic growth in sub-Saharan Africa will firm up to an average of 3.3% in 2019, with considerable variation across countries.

The economies of Nigeria (+0.8%) and South Africa (+1.3%) remained on lower growth mode, while Egypt (+5.3%), Algeria (+2.1%), Angola (-1.7%) and Morocco (+3.1%) performed comparatively better in 2018.

Among sub-Saharan Africa's largest economies, a slower than previously anticipated recovery in the oil sector and continued challenges in the non-oil industrial sectors have weighed on activity in Nigeria and Angola.

Growth prospects improved in most of East Africa in 2018, owing to improving agriculture sector growth following droughts and a rebound in private sector credit growth. Growth in Rwanda (+8.6%) and Ethiopia (+7.7%) remained the highest in the region, as government-led infrastructure investment continues.

The above picture confirms that economic fundamentals and resilience to external shocks improved in a number of African countries. No single factor accounted for this improvement. Rather, it reflects better global economic conditions, recovery in commodity prices (mainly oil and metals), sustained domestic demand, partly met by import substitution and increased agricultural production.

Real exchange rate depreciation decelerated after major corrections of the Nigerian naira, the Egyptian pound and the Sudanese pound were fully absorbed. The rand, one of the most important original currencies of the Corporation, for its premium income, continued its decline against the US dollar and ended the year 2018 at 14.38 to a dollar from 12.46 at the beginning of the year.

Global reinsurance: continuous resilience despite heavy natural catastrophe losses

The global reinsurance market continued to struggle for relevancy and profitability amid multiple challenges. The industry continued to face a prolonged soft reinsurance pricing cycle, heightened competition, limited organic growth opportunities, a record influx of alternative capital, a reducing total global reinsurance capital, a low interest rate environment, significant mergers and acquisitions, and large catastrophe losses.

Despite a 3% reduction in the total global reinsurance capital, to US$585 billion, down from US$605 billion in 2017, the capital increased by nearly 30% since 2011 across traditional and alternative capital sources and remains adequate, though excessive, in all markets to weather the storm of natural catastrophe events.

Improved economic activities, emerging new products and the introduction of risk-based capital regimes led to a modest increase in global demand for reinsurance protection in 2018.

The Aon's Reinsurance Aggregate (ARA) companies generally reported strong premium growth in 2018. P&C net premiums earned ended the year at US$154 billion, up 9% relative to the prior year comparative period.

Combined ratio improved marginally to 99.2% from 106.6% in 2017, with natural catastrophe losses and favourable prior year reserve development contributing the most to the improvement. Insured natural catastrophe losses in 2017 and 2018 of over US$240 billion were significant for the industry, with 2018 recording US$93 billion, 47% higher than the 2000-2017 average of US$56 billion.

For the first time in several years, the ordinary investment yield showed a small improvement at 2.8% (2017: 2.6%), while unrealized losses on bonds restricted the overall return to 2.7 % (2017: 3.8%).

The Aon's Reinsurance Aggregate (ARA) net income rose by 50% to US$9.0 billion (2017: US$6.0 billion) thanks to relatively lower catastrophe losses.

However, the return on equity of 4.2% in 2018, though higher than 2017 (2.7%), confirmed the downward trend in overall profitability of the reinsurance industry as the 5-year average reduced to 7.34% (2014-2018) from 8.64% (2013-2017), sparking the idea that underwriting capacity may be scarce in the market during the renewal seasons in 2019.

Africa Re in 2018: resilience in the storm

The Corporation achieved a premium growth of 6.80% to US$ 797.6 million in 2018 (2017: US$ 746.8 million). This growth was moderate compared to the 16.32% recorded in 2017, which was the year major African original currencies started to recover from their multi-year decline against the reporting currency - the US dollar. The relatively good performance achieved in 2018 was driven by good underwriting and a rather stable currency exchange rate environment. All production centres, except Cairo, recorded growth, with Johannesburg, Nairobi and Lagos contributing the highest nominal growth.

Underwriting performance was however severely impacted by significant natural catastrophes in South Africa and large losses in some markets. Indeed, underwriting results reduced by 33.48% to US$ 20.70 million, compared to US$ 31.12 million in 2017 due to a 12.19% increase in net incurred claims. The poor performance is a result of the adverse development of the 2016/2017 catastrophe claims in South Africa (US$ 5.55 million), large claims – above US$ 0.5 million in West Africa, Africa Retakaful, South Africa, Central Africa, Middle East and North Africa, as well as elevated attritional claims experience in East Africa.

This translated into a combined ratio of 96.93% compared to 94.87% in 2017.This performance is below the Corporation's 5-year average of 91.52% for the period 2014-2018.However, it is better than the Aon's Reinsurance Aggregate, which tracks the top 21 international reinsurers and recorded an average combined ratio of 99.2% in 2018 (2017: 106.6%). The African reinsurance aggregate achieved an estimated average combined ratio above 100.0% in 2018 (2014-2017: 91.56%).

Due to the down side in the global and African financial markets, investment income dropped by 62.70% from US$ 61.5 million in 2017 to US$ 22.9 million in 2018. This was particularly due to unrealised loss in the equity and bonds portfolios in the United States, Europe and Africa.

The Corporation had an overall profit after tax of US$ 31.27 million compared to US$ 87.98 million recorded in 2017, representing a 64.46% drop. The three main factors of this decline are: reduction in technical result (-33.48% or US$ 10.42 million), fall in investment income (-60.40% or US$ 37.93 million) and increase in exchange loss (+128.50% or US$ 8.43 million), totalling a negative impact of US$ 56.63 million from the figure recorded in 2017 (US$ 87.89 million).

Shareholders' equity increased by 1.66% from US$ 902.04 million in 2017 to US$ 917.05 million in 2018.

With a return on equity of 3.44%, the profitability of the Corporation is still comparable to the average recorded by peers in the industry in 2018 (Guy Carpenter Composite: 3.40%, Aon's Reinsurers Aggregate: 4.20%). The 5-year return on average equity (RoAE) of 11.31% achieved during the just ended 5th Strategic Plan period, is much higher than peers in the industry for the same period 2014-2018 (African Reinsurers Aggregate: 9.52%, Guy Carpenter Composite: 6.92%, Aon's Reinsurers Aggregate: 7.34%).

Outlook for 2019:

return to stable profitability

In April 2019, the International Monetary Fund (IMF) projected that the global economy will grow at 3.3% in 2019 and 3.6 % in 2020. This forecast for 2019 and 2020 could be revised downward in the next months if the negative effects of interest raising, trade war and Brexit materialize.

The African economy will continue to grow at 3.6% in 2019 and 3.8% in 2020 as projected by the IMF in April 2019. Sub-Saharan Africa is expected to grow at 3.3% in 2018 and 3.5% by 2020. These projections depend largely on the speed of recovery of the economies of Nigeria, Egypt, Morocco, South Africa and the evolution of oil prices. Political instability in Algeria and Sudan will weigh in as well.

The Corporation expects continuous double digit growth of premium income on the African continent in local currency terms in the years to come due to various factors, including economic expansion and population growth. However, this growth rather depends more on the strength of the original currencies against the US dollar, the presentation currency.

Premium income growth will be mild in 2019 due to the deterioration of some accounts in our business portfolio which necessitate some cleaning. This will be the result of efforts to clean loss-making businesses in some markets. Underwriting prudence is necessary in times of narrowing underwriting margins, volatility and increasing frequency and severity of catastrophe events.

The corrective measures to be undertaken in 2019 and beyond are intended to stabilize the claims ratio and achieve a net combined ratio between 90% - 95%.

The investment income outlook is positive for 2019, supported by a positive sentiment and optimistic outcome of the trade dispute between United States and China. Investment income is expected to be better in 2019, given the outlook on the different asset classes and reallocations made in 2018 to reduce exposure to equity market volatility in South Africa and the United States. The weight of equities in the investment portfolio, whose collapse impacted negatively our income in 2018, has already been reduced from 16% in December 2017 to 10% in December 2018. With more cash and fixed income investment instruments, investment income will be decent and more stable.

Operating profit may be negatively impacted by changes in the new policy on bad debt provisioning, in anticipation of the implementation of IFRS 9 and IFRS 17.

However, an average claims experience and a good investment income prospect will allow the Corporation to maintain a stable profitability level in line with the new 6th Strategic Plan for the period 2019-2023.

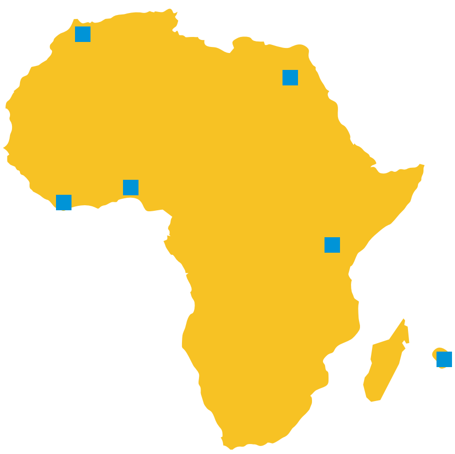
II. TECHNICAL OPERATIONS

The Corporation's operating results are examined below and compared to 2017 figures.

Africa Re operates through a network of eight offices strategically located in the continent. Activities in a number of African markets situated within a common geographical area, are coordinated by an office in the region. Closeness to clients within each location gives Africa Re a unique leverage among its peers, to provide credible and efficient services to insurance markets in the continent.

Africa Re adheres to best practices in every facet of its business. Cedants reciprocate its long term commitment to the continent by granting the Corporation access to profitable and diversified business in Africa, and to a lesser extent, Asia, the Middle East and Brazil.

The Corporation operates from the following production centres:



Six regional offices:

- Lagos, Nigeria: Anglophone West Africa and African Pools;
- Abidjan, Côte d'Ivoire: Francophone West and Central Africa;
- Casablanca, Morocco: Maghreb;
- Cairo, Egypt: North East Africa and the Middle East;
- Nairobi, Kenya: East Africa and parts of Southern Africa; and
- Ebene, Mauritius: African Indian Ocean Islands, Portuguese-speaking African market, Asia and Brazil.

Two wholly owned subsidiaries

- Johannesburg, South Africa: South Africa and neighbouring markets, handled by the subsidiary - African Reinsurance Corporation (South Africa) Limited;
- Cairo, Egypt: Africa, Asia and Middle East Retakaful markets handled by the subsidiary - **African Retakaful Company**.

One local office

- Addis Ababa, Ethiopia.

One underwriting office

- Kampala, Uganda

The portfolio of insurance risks accepted by the Corporation can be broadly classified along the following business lines:

- Fire & Engineering
- Accident & Motor
- Oil & Energy
- Marine & Aviation; and
- Life

The table below provides a summary of the Corporation's performance

Description (US$000)	2018			2017		
	Gross	Retro	Net	Gross	Retro	Net
Income						
Premium (less cancellations)	797,415	(116,081)	681,334	746,829	(121,179)	625,650
Change in unearned premium provision	(4,259)	(3,521)	(7,780)	(28,015)	9,261	(18,754)
Earned premium	793,156	(119,602)	673,554	718,814	(111,918)	606,896
Outgo						
Losses paid	455,272	(31,988)	423,284	367,642	(26,901)	340,741
Change in outstanding claims provision (incl. IBNR)	5,820	(17,787)	(11,967)	54,617	(28,736)	25,881
Incurred losses	461,092	(49,775)	411,317	422,259	(55,637)	366,622

Premium income

In 2018, the Corporation generated a gross written premium income of US$797.42 million which is 6.77% more than the 2017 production of US$746.83 million.

Fluctuations in exchange rates adversely impacted the Corporation's production by US$39.71 million as the Sudanese pound and the rand weakened against the US dollar. On the other hand, the CFA franc appreciated slightly against the US dollar.

The macroeconomic outlook for sub-Saharan Africa continued to improve. Growth was expected to increase from 2.7% in 2017 to 3.1% in 2018. This was due to domestic policy adjustments and a favourable external environment assisted by continued steady growth in the global economy & higher commodity prices. Growth momentum improved most notably for oil exporters, mainly Nigeria, but remained stagnant in South Africa.

There is a sizable disparity in economic growth across sub-Saharan Africa. Non-commodity intensive countries continue to grow at about 6% on average while commodity-intensive countries have seen more growth though below levels attained prior to the 2014 commodity price shock. A few countries continue to deal with security problems.

In Egypt, real GDP grew at 5.3% in 2018 compared to 4.2% in the previous year. Growth was driven by public and private investments as well as private consumption.

In Algeria, real GDP was expected to grow by 2.5%, up from 1.6% in 2017, driven by the demand side (increase in the international price of oil).

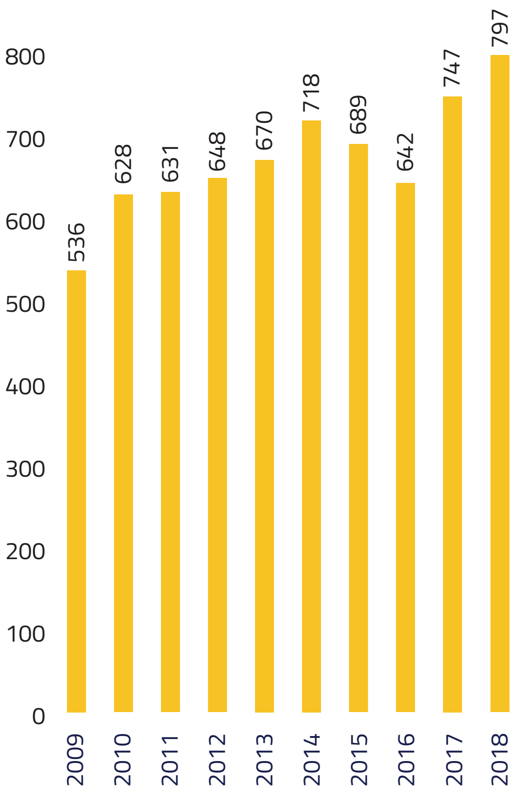
Morocco's economic growth remained sluggish in 2018 despite the unexpected increase in cereal production. GDP growth decelerated from 3.5% in the first quarter of 2017 to 3.2% in the same period of 2018.

Tunisia's economic growth is gradually picking momentum. From a modest 2% in 2017, growth accelerated to 2.5% in the first quarter of 2018 and 2.8% in the second quarter buoyed by agriculture, tourism and export-oriented manufacturing.

The African insurance industry will continue to support the growth of the continent's economies.

Africa Re is the leading African reinsurer and the only local security in the continent backed by A rating from AM Best and A- rating from S&P. Accordingly, the Corporation will continue to build its expertise in emerging and specialty lines with the view to providing African insurance markets with capacity and technical support in new products and special risks. Concurrently, in the coming years, the Corporation will continue to deploy its resources in order to maintain and increase its existing portfolio lines.

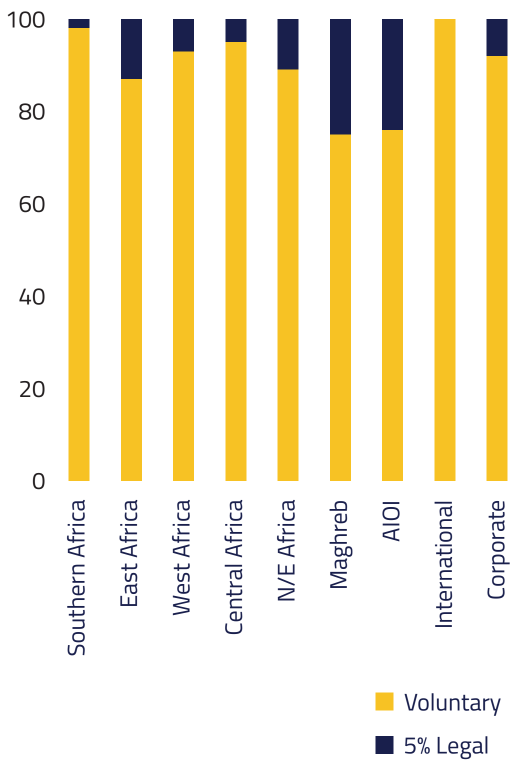
Development of gross written premium in US$million



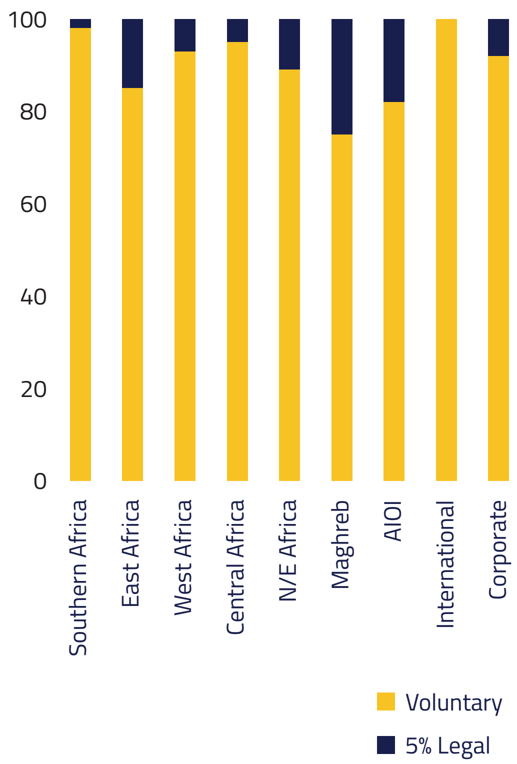
Legal (Compulsory) Cessions

In 1976, when Africa Re was created by 36 member states, as an initiative of the African Development Bank, it had to compete with much larger foreign reinsurers with ties to former colonies. The rationale for setting up the Corporation, which is still paramount to date, is to reduce the outflow of premium income from the continent. To ensure its survival among these well-known larger brands, the Corporation was granted, at inception, 5% of every reinsurance treaty emanating from member states (which has risen to 41). Compulsory cessions presently account for 8.2% of its premium income.

Financial year 2017



Financial year 2018



Geographical distribution

Africa Re operates from a network of six regional offices, two subsidiaries, one local office and an underwriting office. The Corporation accepts business from cedants across Africa, as well as selected markets in Asia, the Middle East and Brazil.

Southern Africa

The African Reinsurance Corporation, South Africa Ltd (ARCSA) in Johannesburg, oversees operations in Botswana and the rand zone. The subsidiary is Africa Re's highest premium provider with a contribution of 27.1% to the overall group turnover in 2018. In the year under review, ARCSA generated US$216.07 million (2017: US$203.50 million), representing an increase of 6.2% over last year's income. This increase was despite the adverse impact of rates of exchange of the rand to the US dollar, leading to a translational loss of US$11.325 million.

East Africa

Production from this region increased by 7.77% to US$151.39 million (2017: US$140.47 million). This figure accounts for 19.0% of the corporate income. This was achieved despite the adverse impact of depreciation on key currencies which led to a translational loss of US$1.42 million.

Anglophone West Africa

Premium income from this region was US$90.69 million (2017: US$84.91 million), representing a 6.8% increase over the previous year's turnover. This production accounts for 11.4% of corporate production. The impact of rates of exchange fluctuations was marginally positive at US$0.32 million.

Maghreb

The increase in production from the Maghreb region was very marginal at US$64.58 million (2017: US$64.20 million). The sluggish performance was due to the weakening of the Algerian dinar, Tunisian dinar and the Moroccan dirham resulting in a translational loss of US$2.35 million. Income from Maghreb accounts for 8.1% of corporate premium production.

North East Africa

The domestic production from the Cairo Regional Office increased marginally from US$36.93 million in 2017 to US$37.31 million in 2018 due mainly to intense competition. The impact of rates of exchange fluctuation was marginally negative at US$0.22 million. Income from North East Africa accounts for 4.7% of corporate production.

Francophone West and Central Africa

The Abidjan Office is responsible for the predominantly French-speaking region of West and Central Africa. The turnover slightly increased from US$84.22 million in 2017 to US$86.63 million in 2018. This was partly due to organic growth and the positive impact of FCFA/USD rate of exchange translating to a gain of US$2.79 million. Income from this region accounts for 10.9% of corporate production.

African Indian Ocean Islands

Income from the African Indian Ocean Islands and Lusophone African markets, increased from US$24.45 million in 2017 to US$26.37 million in 2018. Business from this office accounts for 3.3% of the Corporation's turnover.

Africa Retakaful

The turnover of Africa Retakaful increased significantly from US$38.99 million in 2017 to US$51.73 million in 2018. The good performance was as a result of increased premium income from the accident and motor classes. Premium growth is commendable despite the significant adverse impact of rates of exchange fluctuation at US$18.912 million, notably the depreciation of the Turkish lira and the Sudanese guinea (SDG). Production from this region accounts for 6.5% of corporate turnover.

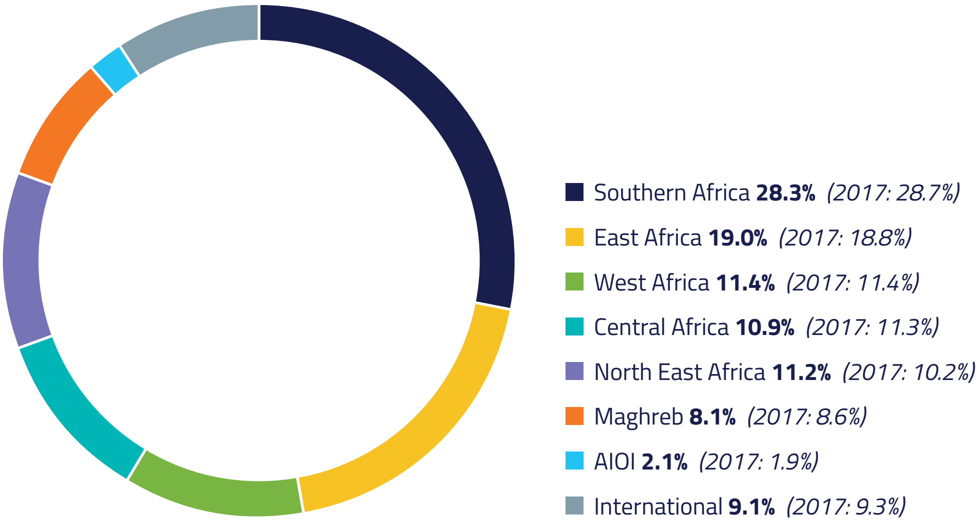
International Business & African Pools

Africa Re's income from international business increased from US$68.21 million in 2017 to US$71.74 million in 2018. Production from the Middle East was US$39.48 million in 2018 (2017: US$48.35 million).

Income from Asia increased from US$14.54 million in 2017 to US$28.53 million in 2018. Production from Brazil decreased from US$5.32 million in 2017 to US$3.73 million in 2018.

Premium income from the African Oil & Energy and African Aviation Insurance Pools managed by the Corporation decreased from US$936,350 in 2017 to US$898,924 in 2018.

Geographical distribution of gross premium



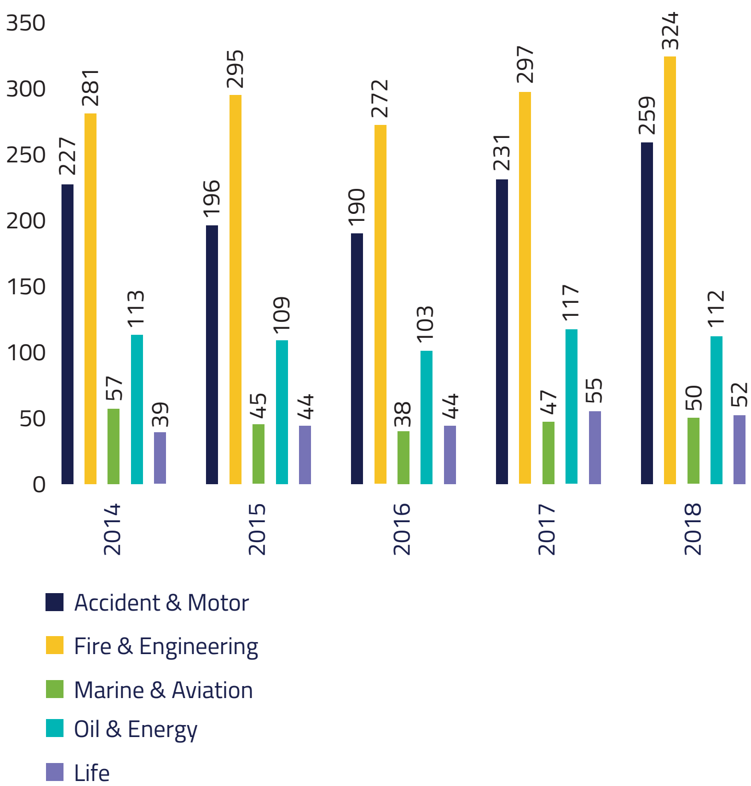
Sectoral distribution

Fire and Engineering class continued to produce the highest turnover with US$323.76 million representing 40.6% of corporate production as against US$296.81 million or 39.7% in 2017. This is followed by the Accident and Motor class which stood at US$259.46 million or 32.5% of corporate income (2017: US$230.64 million representing 30.9%).

Oil & Energy class is third with a production of US$111.81 million or 14.0% of turnover (2017: US$117.40 million representing 15.7%).

The Life class is fourth with US$52.01 million or 6.5% of turnover (2017: US$54.63 million or 7.3%) while the Marine and Aviation class follows with US$50.39 million, which is 6.3% of corporate production (2017: US$47.36 million representing 6.3%).

Premium by class in US$million



Technical expenses

Losses

Total claims paid increased from US$367.64 million in 2017 to US$455.27 million in 2018.

Claims paid ratio increased from 49.23% in 2017 to 57.09% in 2018. Incurred losses, which include movement in outstanding claims provision (US$5.82 million in 2018 as against US$54.62 million in 2017), amounted to US$461.09 million in 2018 (US$422.26 million in 2017).

The table below provides insight into the previously stated indicators.

Gross loss ratio by class - financial year 2018 currency : US$m

Class of business	Regional business			International inward			Total corporate		
	Incurred loss	Earned premium	Loss ratio %	Incurred loss	Earned premium	Loss ratio %	Incurred loss	Earned premium	Loss ratio %
Fire / Eng.	189.53	292.72	64.75%	18.76	33.87	55.37%	208.29	326.59	63.78%
Accident motor	143.86	228.52	62.95%	13.76	20.16	68.28%	157.62	248.68	63.38%
Oil & Energy	32.16	100.52	31.99%	5.92	14.54	40.71%	38.08	115.06	33.09%
Marine & aviation	25.82	45.05	57.31%	4.99	4.63	107.66%	30.81	49.68	62.01%
Life	26.22	52.63	49.82%	0.07	0.51	15.44%	26.29	53.14	49.49%
Total	**417.59**	**719.44**	**58.04%**	**43.50**	**73.71**	**59.02%**	**461,09**	**793.15**	**58.13%**

Loss Experience by Trading Area

The gross incurred loss ratio for the Subsidiary in South Africa decreased from 89.2% in 2017 to 75.9% in 2018 and the net incurred loss ratio also decreased from 90.9% to 77.2%. The subsidiary suffered from the 2017 cat events (Durban & Johannesburg storms, Knysna fires and Cape storm), Cape Gate and an explosion at Wilmar cooking oil factory.

The gross incurred loss ratio of the West Africa Regional Office decreased from 42.0% in 2017 to 41.3% in 2018. The net incurred claims ratio increased from 41.9% in 2017 to 50.6% in 2018.

The gross and net incurred loss ratios of the East Africa office increased to 51.7% and 52.3% in 2018 from 43.9% and 44.4% in 2017 respectively.

The Maghreb region's loss ratio (gross and net) increased to 53.1% and 56.1% in 2018 from 43.9% and 41.4% in 2017 respectively. This was largely due to increased claims with new large claims reported, among others, Sonelgaz, Sofert and Interconnection.

The incurred loss ratios of North East Africa increased from 13.5% (net: 23.3%) in 2017 to 39.3% (net: 67.6%) mainly due to a few large claims like ATOP.

The gross and net incurred claims ratio of the Francophone West and Central Africa office decreased from 57.8% (net: 58.3%) in 2017 to 56.8% (net: 46.6%) in 2018 respectively. The reduction in ratios is mainly due to an increased retro recovery on the adverse development of the SIR refinery claim.

The gross claims ratio of the African Indian Ocean Islands increased from 55.1% (net: 55.0%) in 2017 to 76.6% (net: 76.5%) in 2018.

The incurred claims ratio of Africa Retakaful Company increased to a gross and net ratio of 71.7% and 66.9% in 2018 up from 42.5% and 44.9% in 2017 respectively, driven by major claims including losses from NATPET and SABIC.

The gross and net incurred loss ratios of the international operations decreased from 94.2% and 76.9% in 2017 to 59.0% and 60.5% in 2018.

Commissions and Charges

Gross commissions and charges including movement in deferred acquisition costs amounted to US$217.4 million (2017: 185.2 million), while retro commissions stood at US$20.9 million (2017: US$18.3 million). Accordingly, net commissions and charges increased from US$166.9 million in 2017 to US$196.7 million in 2018.

III. INVESTMENT INCOME

Portfolio performance

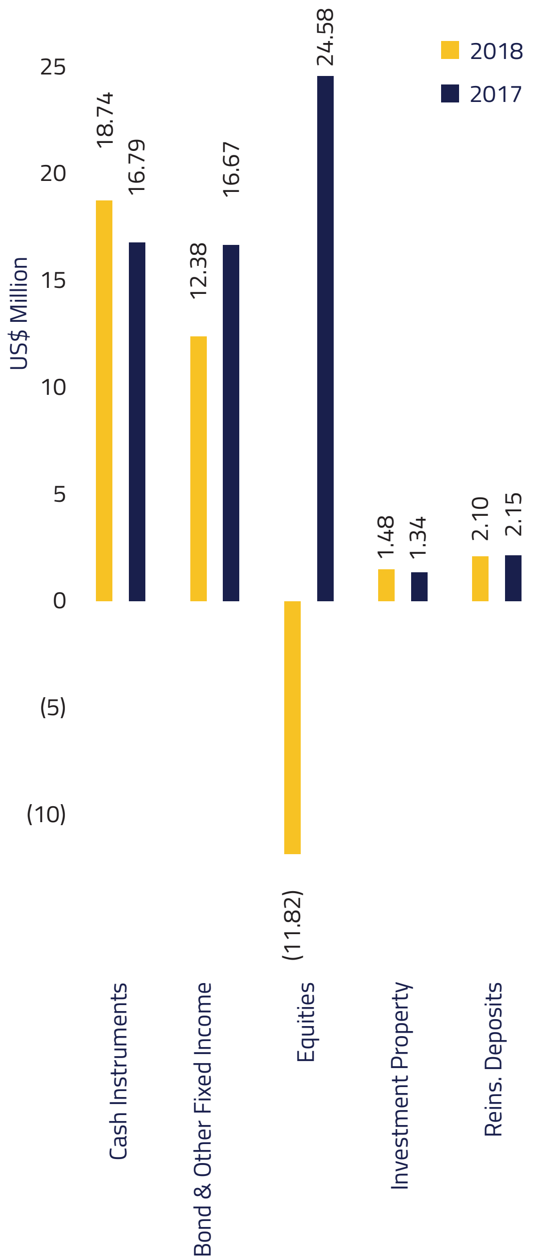
The year 2018 was rough in terms of performance for financial markets. Despite the positive news on the performance of the US economy, December 2018 was the worst month for equity markets in the United States since 2008. The major contributory factors are the escalation of the trade war between the United States and China and the increase in interest rates due to monetary policy tightening by the Federal Reserve. Furthermore, the world gross domestic product declined to 3.7% from 3.8% in 2017 and the slowdown was experienced in both developed and emerging markets.

Commodity prices have been hit by several factors, including higher interest rates, a stronger dollar and increasing trade tensions between the US and China. Oil prices were volatile in the second half of 2018 and dropped sharply at the end of the year due to supply factors. The prices of other commodities such as gold also weakened.

On a year-to-date basis, almost all transactional currencies depreciated against the US dollar except the Kenyan Shilling, the West Africa CFA franc (XOF), euro and the pound sterling. Depreciation rates were: ZAR/USD: -14.26%, NGN/USD: -0.29%, MAD/USD: -2.07%, MUR/USD: -2.33%, EGP/USD: -1.00%, and ETB: -2.82%. euro, pound sterling, CFA franc and Kenyan shilling appreciated by 4.85%, 6.35%, 0.14% and 1.28% respectively. The investment portfolio recorded a translation loss amounting to -US$42.56 million.

The investment portfolio stood at US$1.17 billion compared to US$1.16 billion last year. The portfolio achieved an average return of 1.96% (+4.39% from earned income and -2.43% from unrealized losses) compared to 5.48% (+4.02% from earned income and +1.46% from unrealized gains) in 2017. This is explained by the negative performance of the equity market combined with low returns on the bond portfolio. Management continues to prudently manage the assets of the Corporation in line with the newly approved investment policy and guidelines.

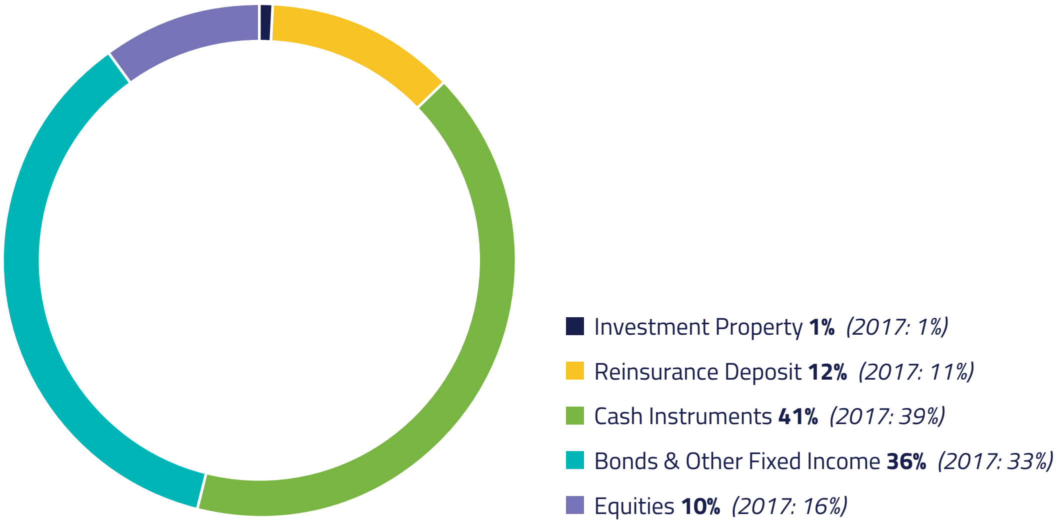
Investment income by asset class



Asset composition

The investment portfolio comprises four asset classes. Cash instruments continue to dominate with a share of 41% (2017:40%). The implementation of a new allocation policy on investment impacted the asset allocation of the Corporation. The equity portfolio reduced from 16% in 2017 to 10% at the end of 2018 following the disposal of a portion of the equity portfolios in South Africa (US$39.44 million) and USA (US$22.18 million). Investment property is just 1% of the Corporation's total assets. Reinsurance deposits with ceding companies as at the end of the year amounted to US$ 135.07 million compared to US$127.06 million last year.

The weight of the bond portfolio improved from 33% in 2017 to 36% in 2018 following the addition of US$30 million in US Treasury bonds and US$10 million in floating rate notes. Cash instrument, reinsurance deposits and investment properties remained stable at 41%, 12% and 1% respectively.



Long term investments

The Corporation continues to support the socio-economic development of Africa by, amongst others, allocating its long-term equity investments to African entities or those contributing directly or indirectly to the growth of economic activities on the continent. The Corporation's total commitment to private equity stood at US$54.60 million invested in a portfolio of 20 companies made up of:

- Four (4) African development finance institutions: Shelter Afrique, TD Bank, Afreximbank and African Finance Corporation (AFC);
- Three (3) insurance companies: Allianz Vie (Cameroon), Gepetrol Seguros SA and ATI Agency (Kenya);
- One (1) hospital project in Lagos: Trust Hospital;
- One (1) pension fund administration company (ARM PFA in Nigeria); and
- Eleven (11) privately-managed equity funds (CAPE II, CAPE III, CAPE IV, AFIG I, AFIG II ECP Africa Fund III, ECP IV, Adlevo Capital, PAHF, Carlyle Africa fund and AAF SME Fund).

The Corporation received rental income amounting to US$1.48 million (2017: US$1.34 million) from its investment properties in Lagos, Nairobi, Casablanca and Cairo.

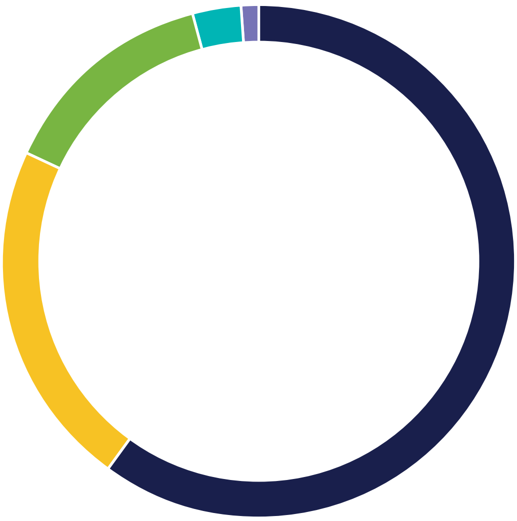
Equities

The year 2018 was the worst for stocks in 10 years. The Dow, S&P 500 and the NASDAQ fell by 5.6%, 6.2% and 4% respectively. MSCI Emerging markets Index declined by 14.6% in 2018. African equity markets were not an exception. All Shares Index of Nigeria fell by 17.81% in 2018. The Kenyan and South African equity market returns fell lower than last year (2017).

China's CSI 300 index lost about a quarter of its value after falling into bear market territory in the first half of 2018, as trade tensions with the United States escalated.

The year 2018 will be remembered for its extreme volatility. Volatility was driven by signs of a global economic slowdown, concerns about monetary policy, political dysfunction, inflation fears and worries about increased regulation of the technology sector.

Given the poor performance of markets, the equity portfolio posted an average return of -7.88% (adjusted) compared to +13.67%9 (adjusted) in 2017. The poor performance of the portfolio is mostly due to the market conditions explained above. However, the portfolio continues to be well diversified geographically and by currency as detailed in the graph below.



Currency Exposure of Equity Portfolio

- US Dollar **60%** *(2017: 48%)*
- Euro **22%** *(2017: 14%)*
- S. African Rand **14%** *(2017: 34%)*
- Nigerian Naira **3%** *(2017: 2%)*
- Kenya Shilling **1%** *(2017: 2%)*

Bonds and other fixed income

The global bond market struggled in 2018 driven by inflation fears with the Bloomberg Barclays Multiverse Index - a broad-based measure of the global fixed-income bond market - reporting losses of 1.4% over the year. Ten-year US Treasuries hit a critical level of 3% in April 2018 for the first time in five years, further reinforcing the market view that inflation was moving upwards.

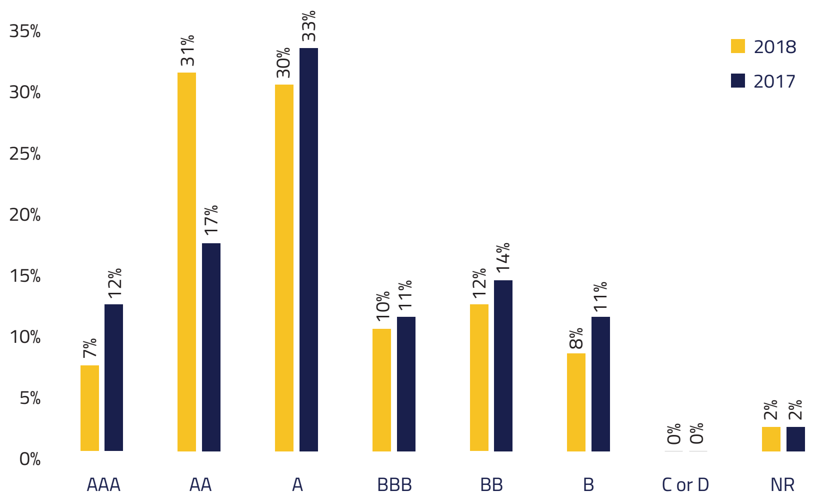
The global bond market was hit by rising US interest rates with almost all fixed income investors suffering losses. Emerging markets sovereign bonds also suffered due to rising interest rates, a stronger dollar and declining liquidity.

The Corporation bond portfolio grew by 11% Year on year from US$382.88 million in December 2017 to US$425.85 million in December 2018. This is mainly due to the addition of US$30 million of US Treasury bonds and US$10 million of floating rate notes.

The Corporation continues to place much emphasis on quality and liquidity. Accordingly, the overall portfolio remained well diversified across sectors, issues, maturities, markets and managers. The average duration is 5.4 years, while weighted average rating stood at A-. US Government Treasury securities continue to be categorized as AA rated following the credit downgrade of the US Government by Standard & Poor's in 2011.

Consequently, the portfolio is made up of 7% AAA rated bonds, 21% AA+ rated bonds and 2% AA rated bonds compared to 12%, 9%, and 2% respectively in 2017. The non-investment grade bonds are African sovereign and corporate issues which the Corporation holds in line with its developmental mandate. Management will continue with the conscious effort to maximize the return of the portfolio with due regard to the credit quality.

Bond Portfolio Rating Profile



Cash and Cash Instruments

Cash instruments recorded a positive income for the year 2018. The full year result reached US$18.74 million compared to US$ 16.79 million recorded in 2017. The rising interest rate environment combined with the enforcement of the new policy on cash and liquidity management contributed to the above performance.

Other Operating Income

Other operating income (management fees received from African Aviation Pool, Oil & Energy Insurance Pool, EAIPN pools, sundry income) during the year amounted to US$ 1.99 million (2017: US$1.28 million).

IV. RESULTS OF THE 2018 FINANCIAL YEAR

Gross written premium income rose by 6.77% from US$746.83 million in 2017 to US$ 797.41 million in 2018. This increase is due to an improvement in underwriting capacity in some regions, increased facultative acceptances in life and property, increased treaty acceptances in the property class and the appreciation of some African currencies in which the Corporation transacts business.

The Corporation's retrocession policy continues to rely on Excess of Loss programmes to protect the net retention in its traditional acceptances, while purchasing additional covers for the major oil and petrochemical risks as well as other special risks. Premium ceded to retrocessionnaires increased by 6.87% from US$111.92 million in 2017 to US$119.60 million representing a net retention ratio of 84.92% (2017: 84.43%).

Adjustment for the movement in the provision for unearned premiums, net of retrocessionnaires' share thereof, produced a net earned premium of US$673.55 million (2017: US$606.89 million), 10.98% higher than the figure for 2017.

Gross claims paid in 2018 amounted to US$455.27 million compared to US$367.64 million in 2017, representing a 23.84% increase. Of the total losses paid, US$31.99 million (2017: US$26.90 million) was recovered from retrocessionnaires, resulting in net losses paid of US$423.28 million, compared to US$340.74 million in 2017, an annual increase of 24.22%. Adjustment for movement in outstanding claims (including Incurred but Not Reported -

IBNR) provisions resulted in a net incurred loss of US$411.32 million, compared to US$366.62 million in 2017, representing an annual growth of 12.19% and a net incurred claims ratio of 61.07% (2017: 60.41%). This increase was a result of the high frequency and severity of large claims, the unfavourable development of catastrophe claims cost from 2016 and 2017 catastrophe events in South Africa as well as the unfavourable claims experience on motor and medical quota share treaties.

Commissions and charges, after adjustment for movement in deferred acquisition costs, increased to US$196.58 million in 2018 from US$166.93 million in 2017. The 17.77% increase resulted mainly from a change in the accounting of profit commissions paid to cedants in solvency relief treaties as they were, prior to 2018, treated as claims cost rather than acquisition cost.

Management expenses for the year amounted to US$44.96 million, representing a 6.47% increase compared to US$42.23 million in 2017. This increase is mainly due to the provision for bad debts because of stringent monitoring of the Corporation's receivables. However, the management expense ratio declined to 6.68% in 2018 from 6.96% in 2017 as a result of an increased level of net earned premium.

Income earned by the Corporation from investment and other sources, including interest on reinsurance deposits and fee income decreased by 60.40% to US$24.86 million in 2018 compared to US$62.79 million in 2017. The year 2018 was the worst for stocks in 10 years. The results were impacted mainly by the exceptionally negative results in the equity portfolio, which posted a sharp loss of 7.88% in average compared to an average return of 13.43% in 2017.

Profit after tax amounted to US$31.27 million in 2018 compared to US$87.98 million in 2017, representing a 64.46% drop. Exchange losses on the translation of monetary assets and liabilities denominated in foreign currencies impacted the performance negatively following the depreciation of African currencies. Furthermore, this poor performance, despite increased net earned premium income, was due to the triple negative effect of higher claims level, increased acquisition cost and lower investment income.

V. APPROPRIATION OF RESULTS

In furtherance of the Corporation's commitment to consolidate its financial position while providing remuneration on the capital invested in its equity, the Board recommends that the 2018 net profit of US$ 31,268,836 be distributed as follows:

- US$15,634,418 to the general reserve in accordance with Resolution No. 4/1992 which stipulates that 50% of the net profit after tax of each year is set aside as general reserve;
- US$800,000 to be transferred to the reserve for loss fluctuation in accordance with the decision taken by the Board during its 57th meeting to set aside an amount over and above the outstanding claims provision to moderate the effects of possible fluctuation in losses in future;
- US$ 312,688 to be transferred to the Africa Re foundation;
- US$22,811,240 to be paid as dividend at the rate of US$ 8.0 (2017: US$8.0) per subscribed and paid-up share of US$100 par value. Part of the 2018 net profit amounting to US$ 14,521,730 plus US$ 8,289,510 from retained earnings brought forward, will be allocated to the payment of 2018 dividends.

VI. CAPITAL MANAGEMENT

Africa Re ensures that its solvency and cash flow are sufficient to meet existing liabilities, future growth aspirations and to maximize reported profits. This is achieved by efficiently managing capital through a risk-based capital modelling regime under which the Corporation's capital reflects all the main risks to which it is exposed.

It is worth mentioning that the successful fourth capital increase improved the Corporation's solvency position in 2013. This situation continued in 2017 as Africa Re maintained a strong capitalization. Since then, the Corporation has improved its solvency position by combining retained earnings and risk-informed strategic decisions.

The capital needs of the Corporation are assessed using an internal risk-based capital model and external proprietary rating models. The objective is to ensure that, at all times, the Corporation has available, more capital than required.

Financial strength ratings and capital adequacy

Due to its supranational nature, Africa Re Group is not legally subject to any national regulatory constraints. However, it should be noted that its subsidiary company, African Reinsurance Corporation South Africa Ltd (ARCSA), is supervised by the Prudential Authority and Financial Services Conduct Authority of South Africa. ARCSA was involved, alongside other industry participants, in the development of the new regulatory framework called Solvency Assessment and Management (SAM), which is similar to the European Solvency II and is based on economic principles in the measurement of assets and liabilities. Solvency Assessment Management sets out requirements for governance, risk management, supervision, disclosure and transparency. South Africa commenced implementation of SAM in June 2018. Africa Re continues to follow the development of SAM in order to comply with the requirements in South Africa and adopt best practices for its Group operations.

Financial strength ratings, counterparty and issuer credit ratings have been assigned to Africa Re by Standard & Poor's and A.M. Best rating agencies since 1998 and 2003 respectively.

The evaluations of the rating agencies are based on a set of criteria, which include the assessment of the Corporation's capital adequacy. Standard & Poor's and A.M. Best require an annual solvency probability of 99.6%, which entails a high level of capital that should enable the company to endure exceptional losses once in every 250 years.

The Corporation has a strong capitalization under the capital adequacy requirements of the two rating agencies. The financial strength is assessed in accordance with the capital models of the two rating agencies in the table below.

A.M. Best affirmed the financial strength rating of Africa Re at A (Excellent) and the issuer credit rating at "a" with both outlooks remaining stable. According to A.M. Best, "the ratings reflect Africa Re's balance sheet strength, which AM Best categorises as strongest, as well as its strong operating performance, favorable business profile and appropriate enterprise risk management".

Standard & Poor's affirmed the financial strength and the counterparty credit rating of Africa Re on 16 November 2018. According to S&P, the rating:

"reflects our view that the group continues to display dominant business risk position within Africa and a sound financial risk profile, which results in an anchor of 'a-' for Africa Re. Our rating on Africa Re benefits from the group's well-diversified exposure across the African continent, with a strong franchise value and overall market position. We regard as a rating positive Africa Re's income diversification across the continent supported by investment returns from its investment portfolio. Our ratings are also supported by its AAA-range capital adequacy levels, given the conservative dividend payout schedule. We also view Africa Re as having strong financial flexibility, reflecting no financial leverage, low reinsurance use, its strong franchise within the African continent, diverse and credible shareholders, and a positive record of raising capital. "

Internal capital adequacy

Africa Re's capital management aims at ensuring the ability to continue operations following an extreme adverse year of losses from the core business and the financial market. In the in-house model, the required capital is assessed by stochastic simulations of losses that the Corporation may incur due to its exposure to insurance and investment risks, as well as deterministic computation of the exposure to other risk categories.

As at 31 December 2018, the shareholders' funds (available capital) amount to US$ 917 million and the required capital is estimated at US$330 million, resulting in an internal capital adequacy of 278%.

Financial strength ratings

Rating Agency	Financial strength rating	Counterparty/ issuer credit Rating	Outlook	Last press release/ report date
A.M. Best	A	a-	Stable	December 20, 2018
Standard & Poor's	A-	A-	Stable	November 16, 2018

VII. ENTERPRISE RISK MANAGEMENT (ERM)

Africa Re ensures an enterprise approach to its risk management process to enable efficient identification and management of known and emerging threats to its business operations.

The **ENTERPRISE RISK MANAGEMENT** (ERM) function supports value creation by enabling Management to deal effectively with future events that create uncertainty and to respond in a manner that reduces the likelihood of downside outcomes while leveraging on opportunities. Consequently, the Corporation has the process needed to become more anticipatory and effective at evaluating and managing uncertainties faced as it works towards creating sustainable value for stakeholders.

Risk Governance

Conscious of the key need for a formalized enterprise risk management function in the Corporation, the Management of Africa Re created a Risk Management and Compliance Department in 2010. The Department is headed by a Central Director who is the Chief Risk Officer (CRO). The Chief Risk Officer assumes responsibility for the overall leadership, vision and direction of the risk management function across the Corporation.

A Risk Management Committee (RMC) was set up consisting of the Central Directors and headed by the Deputy Managing Director/Chief Operating Officer. The Committee meets quarterly.

Through the current risk governance structure, the Corporation recognizes the importance of an integrated approach by assigning the corporation-wide risk management responsibility to senior management with access to the Risk Management and IT Governance Committee of the Board.

Key Risk Management Bodies and Functions

Board of Directors			
Risk Management and IT Governance Committee of the Board			
Executive Management			
Risk Management Committee	**Investment Committee**	**ICT Steering Committee**	**Special Risks Committee**
Chief Risk Officer			
Risk Management function			

The African Reinsurance Corporation has also adopted the **"three lines of defence" operational framework** which operates as follows:

- **The day-to-day risk management and management control line**, where staff and Management have direct responsibility for the management and control of risk
- **The risk oversight, policy and methodologies line,** where the concerned staff co-ordinate, facilitate and oversee the effectiveness and integrity of Africa Re's risk management framework; and
- **The independent assurance line**, where control departments in charge of internal audit, technical inspection and external auditors provide independent assurance across all business functions in respect of the integrity and effectiveness of the risk management framework.

The roles and responsibilities of each of these functions and parties involved in the risk management process are described in detail in the Group Risk Policy Document

Risk Landscape

The risk landscape of the Corporation comprises core business risks and other risks that are categorised and defined as follows:

Group 1 - Insurance risk: risk of loss arising from the Corporation's core business as a result of inadequate underwriting or reserving.

Group 2 - Credit risk: risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Group 3 - Market risk: risk that arises from fluctuations in values of, or income from assets, interest or exchange rates.

Group 4 - Currency fluctuation risk: risk of loss arising from changes in the different operational currencies of the Corporation.

Group 5- Liquidity risk: risk that sufficient financial resources are not maintained to meet liabilities when due.

Group 6 - Strategy risk: risk that the strategy the company sets for itself is unsuccessful or does not adequately recognise opportunities.

Group 7 - Reputational risk: risk of loss arising from damage to the Corporation's brand, leading to loss of business and competitive advantage.

Group 8 - Regulatory/Compliance risk: risk of loss from non-adherence to regulatory or shareholding agreement and international standards/policies leading to fines, sanctions and interventions and ultimately revocation of operating licence.

Group 9 - Operational risk: risk of loss resulting from inadequate or failed internal processes, people, systems and external events.

Across these categories, the Corporation identifies and evaluates all threats and opportunities to its strategic objectives through a systematic framework that is applied consistently across the Group.

Risk Management Processes

The implementation of risk management at the operational level embraces various steps such as identification, measurement, analysis, assessment, reporting and monitoring, which enable the Corporation to closely follow significant risks in each group.

Financial Risks

Insurance, credit, liquidity, currency fluctuation and market risks have been classified as financial risk. The management of these risks is covered under "Management of Insurance and Financial Risks" (Pages 78 - 83).

Operational Risk

As indicated above, operational risk includes potential losses or reputational damage arising from inadequate or failed internal processes, people, systems and external events.

Within this framework, Africa Re has six sub-categories of operational risk: people, processes, systems, external events, legal, and capital adequacy. Other risks (categories) such as reputational, strategy and regulatory/compliance risks have been identified separately. The detailed risk categorization is set out in the Corporation's Risk Policy Document and Risk Register.

Africa Re is committed to properly mitigating and managing its exposure to operational and other non-financial risks. The operational risk management model involves the following cyclical process: identification, assessment, response & control, reporting and monitoring of risks. Dedicated officers (Risk Champions) from production centres and central departments are responsible for overseeing the management of operational risks which arise in their areas of control. The Corporation applies a centrally coordinated methodology to identify and assess risks through the use of an effective Operational Risk Solution, an IT platform called OneSumX (Sword).

The Operational Risk Solution facilitates the implementation of the tools and techniques provided in the Group Operational Risk Policy Document namely: risk and control self-assessment (RCSA), internal loss data capturing, key risk indicators (KRIs), stress and scenario testing, etc. The solution is used in the Corporation's head office and production centres. The modules installed include the platform, risk & control assessment, loss & incident recording, control assurance and enterprise reporting.

Appropriate controls and contingency plans such as Business Continuity Plans (BCP) and Disaster Recovery Plans (DRPs) are therefore in place to significantly reduce the Corporation's operational risk exposures to an acceptable level.

Emerging risks

These are developing or already known risks which are subject to uncertainty and ambiguity and are therefore difficult to quantify using traditional risk assessment techniques.

An emerging risk can represent either a change in the nature of an existing or known risk or the development of a new risk. Generally, such risks are characterised by a high level of uncertainty.

Appropriate processes are implemented to quickly identify emerging risks as they have indirect bearing on strategy implementation, stability of the Corporation and present opportunities.

Africa Re uses horizon scanning and stress-testing indicators and parameters to identify emerging risks. The Corporation's approach to managing emerging risks, builds on the structures and tools for managing its known/traditional risks. It ensures that the provisions of its risk management framework are robust in response to changing exposure to known risks and other emerging risks.

Risk Modelling

Financial Modelling

In response to the demands of the new environment by regulators and rating agencies, the global insurance industry developed Dynamic Financial Analysis (DFA) models. Africa Re pioneered the use of internal models for capital assessment and risk management purposes in Africa.

ReMetrica, a tool for building financial models of an insurance or reinsurance company developed by Aon Benfield, was acquired by Africa Re under a license agreement. ReMetrica is used for the modelling of insurance, investment and credit risks.

ReMetrica is used by Africa Re in different areas of decision-making including assessment of required capital, optimization of retrocession programme and strategic business decisions.

Africa Re acquired ReMetrica primarily to assess the sufficiency of shareholders' funds compared to its risk exposure as required by the Prudential Authority in South Africa and rating agencies (A.M. Best and Standard & Poor's).

ReMetrica enables the Corporation to choose an optimum retrocession structure from various scenarios depending on their financial impact on the Corporation. Furthermore, it allows the Corporation to build different models for each business strategy. By comparing the results of different business strategies, the business portfolio can be improved. In that regard, ReMetrica has been for Africa Re, a useful tool for building a well-balanced business portfolio.

Catastrophe Modelling

Catastrophe modelling provides expected annual aggregate loss from catastrophe events which could help in developing strategies in the following areas:

- Monitoring of accumulations and pricing of original risk;
- Retrocession purchase including setting of limits and retentions depending on the risk appetite;
- Meeting the requirements of the Prudential Authority and rating agencies.

Africa Re has been monitoring its catastrophe exposures annually in African countries prone to natural perils such as South Africa, Mauritius and Kenya. Willis and Aon Benfield have traditionally offered catastrophe modelling service, using either licensed or own models.

ERM Evaluation by Rating Agencies

Enterprise Risk Management in Africa Re received ratings from two top rating agencies in 2018, namely, A.M. Best and Standard & Poor's. Below are some excerpts from the ratings.

A.M. Best: **Appropriate**

"Africa Re continues to demonstrate a solid and evolving enterprise risk management (ERM) framework, which remains appropriate relative to its risk profile. The corporation maintains an ERM unit headed by a chief risk officer, who oversees the risk management function across the group. AM Best has noted the improvements in Africa Re's ERM as a factor contributing to the strengthening of technical results over the years.

Africa Re's risk management approach integrates three lines of defence, which correspond to the day-to-day management of risks, oversight of the effectiveness of the policies in place and independent assurance. Ownership for each of these functions is clearly defined.

The risk culture across the organisation continues to improve, with the requirement of annual technical inspections at each production centre, the use of regular committees to address the corporation's identified risks and quarterly updates of the risk register at the production centre and group level. ARCSA has implemented a risk management framework that is in line with the South African Solvency Assessment and Management (SAM) regulatory requirements, further embedding the corporations risk culture. Africa Re has also implemented an operational risk solution. This is a centrally coordinated platform that identifies and assesses operational risks at the corporation and production centre level.

An internal capital model is utilized by Africa Re to measure the organisation's capital requirements and to optimise the retrocession programme, whilst supporting the corporation's strategic decisions. The outcome of the model is based on capital requirements to support underwriting and investment risk exposure. AM Best believes Africa Re's understanding of its capital requirements has improved. Although work on the internal model is on-going, Africa Re actively monitors its capital position. This provides some comfort as to Africa Re's understanding of its economic capital requirements as the corporation is exempt from any regulatory solvency requirements.

In addition to the corporation's capital-modelling capabilities, internal and external (proprietary) pricing tools are also partly used to support underwriting, based on the traditional burning cost method with a loading to allow for various expenses, including the cost of capital. Pricing guidelines are periodically updated to reflect the factors identified in the price-monitoring cycle. Africa Re recognises the shortcomings associated with its pricing tools, which are based on the more developed US and European markets and hence not necessarily reflective of the risk profile of the African insurance markets. "

Standard & Poor's: **Adequate and improving**

"We consider the enterprise risk management (ERM) framework for Africa Re as adequate and improving".

"We consider African Re's ERM to be continuously improving as it matures and develops, evidenced through the development of the underlying risk controls cascading through the business units.

We continue to believe that Africa Re will make further improvements with enhancements to risk monitoring activities."

VIII. CORPORATE GOVERNANCE

Overview

Africa Re is regulated by the Agreement Establishing the Corporation and other statutory documents detailed below.

There are various corporate governance policy documents in force, which are based on international best practices. The Corporation's subsidiary in South Africa is locally incorporated and in addition, complies with the applicable local corporate governance codes such as the King III Report.

The Board and Management are responsible for ensuring that the Corporation applies the best practices in corporate governance that match the required minimum in modern international and peer companies.

Corporate Governance Framework

Corporate governance principles and procedures of Africa Re are defined in a series of documents governing the organization and its management. They include:

- Agreement Establishing the African Reinsurance Corporation, defining the ownership, administration and governance structure;
- Procedure for Proposing and Introducing Amendments to the Agreement;
- General By-Laws defining the General Regulations and the Rules of Procedure of the General Assembly;
- Rules of Procedure of the Board of Directors;
- Rules for Election of Directors;
- The Board Charter and Board Committee Charters, setting out the duties and responsibilities of the Board and its Committees; and
- Code of Ethics, which lays down rules, behaviour and attitude to be observed by staff and Management when accomplishing their duties or acting on behalf of the Corporation.

The corporate governance framework of the Corporation undergoes appropriate reviews triggered by changes in the operations of the Corporation, international best practice in relevant areas, as well as strategy and risk profile amongst others.

The last review of the corporate governance framework in 2013 resulted in the following:

- A new Board Charter integrating the latest best practices in Board functioning;
- Separate Committees for the following oversight functions (hitherto combined):
  - Audit and Finance
  - Risk Management and IT Governance
- Extension of the scope of the Remuneration Committee, which defines the compensation system of elected Management, to cover all the other issues related to human resources management in the Corporation. Accordingly, the Human Resources and Remuneration Committee was set up.
- Regular and formal Board Evaluation;
- Reinforcement of the Declaration of Interest by Board members;
- Appointment of the Corporate Secretary.

The Corporation also ensured that its South African subsidiary adopted the same approach to integrate the new local requirements in corporate governance based on the forthcoming Solvency Assessment and Management regime and the new Companies Act.

Shareholding and Board of Directors

Shareholding Structure as at 31 December 2018

Shareholder	Number of Shares	In %
41 Member States	986,627	34.60
African Development Bank (AfDB)	240,000	8.42
112 African insurance and reinsurance companies	964,778	33.84
3 Non-African Investors (FAIRFAX, AXA, and ALLIANZ SE)	660,000	23.15

Authorized / Paid-Up Capital and Recent Changes in the Shareholding

The authorized capital of the Corporation amounts to US$ 500,000,000 as at 31 December 2018 with US$ 285,140,500 fully paid up. The capital is divided into 2,851,405 shares, each with a nominal value of US$100.

The Annual General Meeting of Shareholders and the Board of Directors approved the 4th capital increase to enable the Corporation to seize business opportunities that will certainly emerge as a result of the following:

- expected rapid economic growth in its core market;
- the much awaited hardening of the reinsurance market following the ongoing long low cycle; and
- the consistently strong/excellent financial rating of the Corporation that is unique in the African insurance/reinsurance industry.

The Corporation's policy consists in steadily growing capital with retained profit and additional equity from existing shareholders and selected potential investors. Therefore, from an initial paid-up capital of US$ 100 million in 2010, a call of the first portion of the capital of US$ 200 million was made in 2010 by issuing 1,000,000 new shares and distributing 1,000,000 bonus shares to existing shareholders. The current issued capital therefore stands at US$ 300 million.

Board of Directors – Composition

The Board of Directors is currently chaired by Mr Hassan BOUBRIK and comprises 12 substantive members. Directors are elected for a period of three years and may be re-elected at the expiration of the term. They shall continue in office until their successors are elected.

The table below contains the current members of the Board of Directors of the Corporation as at 31 December 2018.

Name & Nationality	Constituency	Current Term Ends
Mr Hassan BOUBRIK Moroccan	Morocco: state and companies	June 2020
Mr Aguinaldo JAIME Angolan	East and Southern Africa and Sudan (12 states)	June 2020
Dr Mohamed Ahmed MAAIT Egyptian	Egypt: state and companies	June 2021
Mr. Boubacar BAH Guinean	Francophone West and Central Africa (states and companies)	June 2021
Mr Kamel MARAMI Algerian	Algeria: state and 4 companies	June 2021
Mr Patrick ANDRIAMBAHINY Malagasy	Anglophone West Africa (4 states and companies) and East and Southern Africa (companies)	June 2020
Mr. Hafedh GHARBI Tunisian	Libya, Mauritania and Tunisia (states and companies)	June 2021
Mr Mohammed KARI Nigerian	Nigeria: state and companies	June 2021
Mr. Jeff VINCENT Belgian	African Development Bank (AfDB)	June 2021
Mr. Hassan El- SHABRAWISHI Egyptian	AXA	June 2021
Mr Jean CLOUTIER Canadian	FAIRFAX	June 2021
Mr. Coenraad Christiaan VROLIJK Dutch	ALLIANZ SE	June 2021

Board seats are distributed among shareholders or group of shareholders based on their voting power. The composition of the current Board is as follows:

- Nine (9) for Class "A" Shareholders (41 African member states, AfDB and 112 African insurance and reinsurance companies), with AfDB entitled to a permanent seat.
- Three (3) for Class "B" Shareholders (3 non-African investors).

The Board currently has three standing committees: the Audit & Finance Committee; Risk Management & Information Technology Governance Committee; and Human Resources & Remuneration Committee.

Board of Directors – Committees

The **Audit & Finance Committee** assists the Board in fulfilling its oversight responsibilities relating to the integrity of the Corporation's financial statements. The Committee also reviews the adequacy of the financial reporting process and the efficiency of the internal control system. In addition, it evaluates the external auditors, approves the audit plans of internal audit, internal technical inspection, external auditors and discusses their findings. The Committee meets at least twice a year.

Members

- Dr Mohamed Ahmed MAAIT (Committee Chairman)
- Mr. Hassan SHABRAWISHI
- Mr. Coenraad Christian VROLIJK
- Mr Jeff VINCENT

The **HR & Remuneration Committee** proposes to the Board the compensation principles and performance criteria of members of Executive Management. It also reviews the conditions of service of Management on a yearly basis, guided mainly by criteria of the best employer/payer, taking into account the practice of companies of comparable rank and standing, as well as the financial means of Africa Re. The Committee meets at least twice a year.

Members

- Mr Aguinaldo JAIME (Committee Chairman)
- Mr. Kamel MARAMI
- Mr. Boubacar BAH
- Mr. Hafedh GHARBI

The **Risk Management & IT Governance Committee** assists the Board in ensuring that a strong risk management practice is properly entrenched in the Corporation and reviews the adequacy, efficiency and effectiveness of the information technology systems in place. In addition, it ensures that the Corporation upholds a strong compliance culture, hence adhering to all agreements signed with the shareholders. The committee meets at least twice a year.

Members

- Mr Jean CLOUTIER (Committee Chairman)
- Mr. Patrick ANDRIAMBAHINY
- Mr Mohammed KARI

Board Evaluation and Training

Evaluating the performance of the Board was part of the recommendations of the last corporate governance review exercise. The Board has decided that its performance shall be evaluated through a self-assessment exercise. Accordingly, self-assessment forms and performance criteria were prepared.

As regards training, new Board members are provided with induction packs on the functions of the Board and the Committees.

Board of Directors – Activities in 2018

The Board of Directors met four times in 2018. The first meeting was held in Addis Ababa, Ethiopia in April 2018. The second and the third meetings took place in Conakry, Republic of Guinea in June 2018 and the fourth was held in Abuja, Nigeria in November 2018. The average attendance rate was 100%. .

Executive Management

Executive Management comprises the following members as at 31 December 2018.

Name	Nationality	Function
Mr Corneille KAREKEZI	Rwandese	Group Managing Director / Chief Executive Officer
Mr Ken AGHOGHOVBIA	Nigerian	Deputy Managing Director / Chief Operating Officer

General Assembly

General Assembly Meeting

The General Assembly meets at least once a year in one of the member states, usually in June.

Voting Right & Representation

In line with the Agreement Establishing the Corporation, each shareholder has one vote for any one fully paid-up share. Each representative at the General Assembly is entitled to cast the votes of the shareholder or shareholders he represents. All significant decisions and matters before the Ordinary General Assembly are taken by a majority of the voting power represented at the meeting.

Statutory quorums

A quorum for any meeting of the General Assembly shall be sixty (60) per cent of the total voting power of shareholders. If a quorum is not reached, a second meeting shall be held twenty-one (21) days after the first meeting in the case of the ordinary general meetings and seven (7) days in the case of extraordinary meetings. The notice for the second meeting shall be sent within seven (7) days after the first meeting. The shareholders present at the second meeting shall have the right to pass valid resolutions whatever the number of shares they represent.

Notice & Agenda of the General Assembly

Notices for convening ordinary meetings of the General Assembly shall be sent to all shareholders by registered airmail not less than six (6) weeks before the date fixed for the meeting. The notice shall contain the agenda of the meeting.

Extraordinary meetings shall be convened in writing by appropriate means of communication not less than seven (7) days before the date of the meeting. An extraordinary meeting of the General Assembly may be called by the Board of Directors, or by shareholders representing at least twenty-five per cent (25%) of the total voting power of the Corporation.

IX. COMPLIANCE

As part of an effective system of risk management and internal controls in the Corporation, control functions were established including risk management, actuarial services, internal audit and compliance. The compliance function was formally developed in 2014 in order to complete the essential pillars of a strong risk management system.

The compliance function enhances governance, checks and balances and provides support to the Board in the fulfilment of its oversight duties.

Though the parent company is not subject to any regulatory compliance requirements, its subsidiary, African Reinsurance Corporation South Africa (ARCSA), is mandated to comply with all applicable regulatory requirements in South Africa. The Group compliance function reviews requirements of any applicable rules and regulations in order to assess compliance levels and issues and reports to Executive Management and the Board.

Consequently, through this function, the Corporation monitors and ensures compliance with all contractual agreements of Africa Re.

The compliance function operates independently from internal audit. It also ensures as much as possible that there is no conflict of interest with other control functions, hence meeting the minimum requirement of good governance and control practice.

The following are the recent updates in the compliance function of the Corporation:

- The scope of the compliance function has been extended to Foreign Accounts Tax Compliance Act (FATCA), an act of the United States Internal Revenue Service (IRS). The compliance with the requirements of FATCA has been considered and implemented.
- The Anti-Money Laundering (AML)/Combating Terrorist Financing (CTF) document was prepared and approved by the Board.
- Implementation procedures and service agreements have been approved by Executive Management and the implementation of the AML/CTF policy has commenced.
- A compliance screening tool has been acquired to ensure that all clients on board the Corporation's books are properly screened.

The Corporation's fight against money laundering and terrorist financing is critical in maintaining a stable and corrupt-free society; hence the adoption of the recommendations of the Financial Actions Task Force (FATF) and the guidance paper of the International Association of Insurance Supervisors (IAIS) on this subject.

The AML/CTF forms part of the Risk Management Programme of the African Reinsurance Corporation and formalises the approach to combat money laundering and terrorist financing.

Although the Corporation is not subject to any local regulation on AML/CTF, it has adopted the recommendations of the FATF as best practice in combating money laundering and terrorist financing.

These recommendations shall be used to:

- define and communicate principles and minimum requirements for conducting money laundering and terrorist financing assessments;
- provide further controls on the operational, reputational and legal risks of the Corporation;
- ensure compliance with international best practice on fighting money laundering and terrorist financing;
- provide guidance to eliminate the possibility of the Corporation's participation in any money laundering or terrorist financing activities;
- formalise the Know Your Customer (KYC) and Customer Due Diligence (CDD) procedures of the Corporation; and
- advise the board on the compliance risk exposures faced in the different operating markets.

X. CORPORATE SOCIAL RESPONSIBILITY

A sustainable business, whose main goal is to maximize shareholder value, must pay attention to the interest of its shareholders and also the environment in which it operates. Following the Board decision of November 2013 and the General Assembly resolution of June 2014, **Africa Re Trust Fund** was established to execute **the corporate social responsibility (CSR) initiatives of the Corporation**. The Trust Fund is funded primarily by a maximum of 2% of the Corporation's yearly net profit after tax.

To carry out the corporate social responsibility in line with global best practice and to achieve the goal of the Trust Fund, **Africa Re Foundation** was established in January 2018 to serve as a vehicle to implement various CSR projects of the Corporation. The CSR projects below were carried out in 2018.

SN	Project	Beneficiary	Remark
1	African Insurance Awards	African Insurance Organisation (AIO)	This initiative rewarded and celebrated best performers and achievers in the insurance industry with a view to motivating innovation and development. Awards include: ▪ Insurance Company CEO of the Year; ▪ Innovation of the Year; ▪ Insurance Company of the Year.
2	Training and Capacity Building in Insurance	International Labour Organisation (ILO)	The Corporation successfully supported the development of micro insurance schemes, micro insurance training and capacity building across Africa.
3	Sponsorship of Africa Day and IDP/ Charity Outreach Programmes	African Diplomatic Group Abuja, Nigeria	Africa Re sponsored Africa Day celebration and outreach to communities, an annual event aimed at supporting the needy and vulnerable communities.
4	Young Insurance Professionals Development	Africa Re, DEG	This initiative contributed to talent and professional development of young professionals in insurance in Africa.
5	Development of African Insurance Organisation Strategic Plan	African Insurance Organisation	The development of the AIO strategic plan was supported by Africa Re to facilitate industry growth.
6	Development of Insurance Tool - Actuarial Tables	Egyptian Financial Regulatory Authority	The Corporation sponsored the building of the first actuarial tables for the life insurance industry in Egypt.
7	Construction of Unit/Facility - Gombe Hospital	Gombe Hospital in Uganda	Africa Re provided financial support for the construction of the Accident and Emergency Unit of the Gombe Hospital in Uganda.
8	Insurance Awareness	Association of Kenya Insurers (AKI)	The funeral insurance awareness by AKI was sponsored by Africa Re.
9	Financial support to an insurance professional	National Association of Insurance & Pension Correspondents (NAIPCO)	Financial support was provided for the medical treatment of a member of NAIPCO.

XI. Human Resources and Compensation

Human Resources

The Employee Value Proposition (EVP) at Africa Re continues to be very attractive making it the employer of choice in the reinsurance industry in Africa. Africa Re staff remain the greatest assets of the Corporation. Accordingly, our compensation and rewards are constantly reviewed to attract, motivate and retain highly skilled professionals needed to actualise the Corporation's strategic plan and objectives.

Staff Categories

There are five (5) staff categories in Africa Re.

Table A: Staff Categories

Executive Management (MGT)	▪ Group Managing Director/ Chief Executive Officer ▪ Deputy Managing Director/ Chief Operating Officer
Executive Staff (ES)	▪ Central Directors ▪ Regional Directors ▪ Managing Directors of Subsidiaries
Professional Staff (PS1, PS2 PS3, PS4, and PSS)	▪ Deputy Directors ▪ Assistant Directors ▪ Senior Managers ▪ Managers ▪ Assistant Managers
Support staff (SS)	Assistants/Officers
Manual Staff (MS)	Operatives

Executive Management, Executive Staff, and Professional Staff are considered international staff. Support Staff and Manual Staff are local staff of the respective locations in which the Corporation operates.

The table below shows the distribution of staff according to categories and duty posts across the African continent.

Table B: Staff Establishment Figures as at December 31, 2018

Locations	**Establishment**						
	MGT	**ES**	**PS**	**SS**	**MS**	**Total**	**Temp**
Head Office	**2**	**3**	**28**	**25**	**11**	**69**	**12**
Lagos Regional Office		1	6	14	3	**24**	**3**
Casablanca Regional Office		1	4	9	3	**17**	**0**
Cairo Regional Office and Africa Retakaful (subsidiary)		1	4	17	2	**24**	**4**
Nairobi Regional Office*		1	14	18	2	**35**	**5**
Mauritius Regional Office		1	3	10	3	**17**	**1**
Abidjan Regional Office		1	6	11	2	**20**	**0**
African Reinsurance Corporation South Africa (subsidiary)		3	9	20	3	**35**	**1**
Addis Ababa Local Office		0	1	1	1	**3**	**0**
Sub-total (regional offices, subsidiaries, local office)		**9**	**47**	**100**	**19**	**175**	**14**
Total staff figures (including Head Office)	**2**	**12**	**75**	**125**	**30**	**244**	**26**
Percentage	**0.82**	**4.92**	**30.74**	**51.23**	**12.30**	**100.00**	**NA**

**Includes Uganda*

Diversity

Africa Re encourages diversity and inclusiveness as it ensures equal employment opportunities to citizens of all member states across Africa. The Corporation also promotes gender equality amongst its workforce.

Table C: Gender Distribution of Staff

Location	Male	Female	Total
Head Office	53	13	69
Lagos Regional Office	16	8	24
Casablanca Regional Office	14	3	17
Cairo Regional Office and Africa Retakaful	13	11	24
Nairobi Regional Office	23	12	35
Mauritius Regional Office	11	6	17
Abidjan Regional Office	14	6	20
African Reinsurance Corporation South Africa	20	15	35
Addis Ababa Local Office	2	1	3
Total Corporate Figures	**169**	**75**	**244**
	69.26	**30.74**	**100.00**

Compensation

The guiding principle for compensation and rewards is to be at least within the 75th percentile of the benchmarked remuneration of acceptable reinsurance and finance industry comparators. Our comprehensive compensation is benchmarked with relevant comparators in the African labour market to ensure that employees are well motivated to focus on delivering outstanding results without taking avoidable risks.

The compensation practice of Africa Re derives from remuneration surveys and participation in peer reviews, complemented by effective staff and team performance management policies.

Africa Re has adopted the Balanced Score Card (BSC) as a strategic performance management tool to set measurable performance targets for teams and individual staff. The performance targets are linked to the Corporation's Strategic Business Plan. The BSC for each staff is a mix of objectives and initiatives measured by ***Key Performance Indicators (KPIs)*** in some ***Key Performance Areas (KPAs)*** or ***Perspectives***. The performance management system has now been automated using the Corporater software.

Compensation and Rewards were reviewed in 2018 to ameliorate the erosion in real income of staff caused by local currency devaluation and hyper-inflation in some of Africa Re's operating locations.

Africa Re pay practice comprises fixed pay, variable pay, allowances and other benefits (education grant, Provident Fund, end-of-service gratuity, medical insurance, other insurance covers, etc.).

Table C: Components of compensation

Type	Composition	Beneficiaries	Comments
Fixed Compensation	Base salary	- Executive Management - Executive Staff - Professional Staff - Support Staff - Manual Staff	Base pay and allowances are paid monthly in US dollars for Executive Management, Executive Staff, Senior Professional Staff and Professional Staff, and in local currencies - for Support and Manual Staff
	Duty Post Differential	- Executive Management - Executive Staff - Professional Staff	Paid monthly only to international staff
Annual Variable Compensation	Individual Performance Bonus	- Executive Management - Executive Staff - Professional Staff - Support Staff - Manual Staff	Paid annually to all categories of staff
	Special Location Performance Bonus	- Executive Staff - Senior Professional Staff - Professional Staff - Support Staff - Manual Staff	Designed to reward all the employees of a production centre upon attainment of a specified performance level.
Allowances	- Housing - Transport - Dependency - Inflation Adjustment - Dependant (Spouse & Child)	- Executive Staff - Senior Professional Staff - Professional Staff - Support Staff - Manual Staff	Allowances are paid monthly in US dollars for Executive Staff, Senior Professional Staff and Professional Staff, and in local currencies for Support and Manual Staff

RESPONSIBILITY FOR EXTERNAL FINANCIAL REPORTING STATEMENT OF MANAGEMENT'S RESPONSIBILITY

Management responsibility regarding Effectiveness of Internal Controls over Financial Reporting

The Management of the African Reinsurance Corporation (Africa Re) is responsible for the preparation, integrity and fair presentation of its financial statements and other information presented in the annual report. The financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of Article 37 of the Agreement Establishing the African Reinsurance Corporation and as such, include amounts based on informed judgments and estimates made by Management.

The financial statements have been audited by an independent accounting firm, which was given unrestricted access to all financial records and related data, including minutes of all meetings of the Board of Directors and Committees of the Board. Management believes that all representations made to the independent auditors during the audit were valid and appropriate. The independent auditors' report accompanies the audited financial statements.

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Agreement Establishing the African Reinsurance Corporation, and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Management believes that internal controls for external reporting , which are subject to scrutiny by Management and the internal auditors, and are revised as considered necessary, support the integrity and reliability of the external financial statements.

Key procedures that Management has established, which are designed to provide effective internal financial control within the Group include the preparation, review and Board approval of the annual financial plans that align with strategic plans. Results are monitored regularly and progress reports on performance are prepared quarterly. The system of internal controls includes written policies and procedures, proper delegation of authority, accountability through establishing responsibility and segregation of duties.

In addition, Management is developing a risk management profile that would continue to ensure effective coordination and monitoring, within the Group, of all the risk management policies approved by the Board of Directors and/or by Executive Management such as underwriting and reserving policies, staff rules and regulations, investment policy guidelines and accounting and financial procedures.

There are inherent limitations in the effectiveness of any internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even effective internal control can only provide reasonable assurance with respect to the preparation of financial statements. The effectiveness of internal control may vary over time because of changes in circumstances.

The Board of Directors of the African Reinsurance Corporation has set up an Audit & Finance Committee and Risk Management & IT Governance Committee to monitor the internal controls and risk management practices within the Group. The committees are made up of non-executive Directors who are independent of Management. They meet periodically with Management, external auditors, internal auditors, Chief Risk Officer and technical inspectors to review their reports and ensure that they are effectively carrying out their respective responsibilities. The external auditors, internal auditors, Chief Risk Officer and technical inspectors have free access to the Committees with or without the presence of Management to discuss the adequacy of internal control over financial reporting and any other matters which they believe should be brought to the attention of the Committees.

HASSAN BOUBRIK
Chairman

CORNEILLE KAREKEZI
Group Managing Director / CEO

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INDEPENDENT AUDITOR REPORT

To the members of African Reinsurance Corporation

Opinion

We have audited the consolidated financial statements of African Reinsurance Corporation and its subsidiaries which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the accompanying consolidated financial statements present fairly, in all material respects, the financial position of African Reinsurance Corporation and its subsidiaries as at 31 December 2018, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Technical provisions

Technical provisions represent 38% of the total liabilities of the corporation. Their valuation was significant to our audit because their assessment process is judgmental and based on actuarial assumptions.

As a result, our audit procedures included among others, using actuarial experts to assist us in evaluating the assumptions and methodologies used by the Group.
Our work also involved evaluating operating effectiveness of controls over the complete and accurate recording of the reserves.

Classification and valuation of investments

The Corporation's disclosures about its investments are included in Note 4. The Corporation investments represent 50% of the total assets. According to IAS 39, management has classified investments into three categories: "Held to maturity", "Fair value through profit or loss" and "Available for sale". As a result, their classification and valuation was significant to our audit.

We challenged management's rationale for the adopted classification and subsequent valuation and discussed this with the audit committee, and we conclude such classification and valuation are appropriate.

Our audit procedures also included among others, testing management's controls related to classification of investments and obtaining amount's confirmation from third parties.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Our responsibilities for the audit of the consolidated financial statements are described in more details in the appendix to the independent auditor report.

Abidjan, 02 May 2019

Deloitte Côte d'Ivoire

Marc WABI,
Chartered Accountant
Partner

APPENDIX TO INDEPENDENT AUDIT REPORT

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

FINANCIAL STATEMENTS

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	2018 US$'000	2017 US$'000
Assets			
Cash and cash equivalents	25	338,512	285,601
Investments	4	826,609	870,381
Premium income receivable		60,821	60,174
Deferred acquisition costs	5	51,812	50,137
Reinsurance receivables	6	186,819	207,830
Retrocessionaires' share of technical provisions	7	114,832	100,566
Sundry receivables		8,301	8,271
Tax recoverable	23	2,311	847
Investment properties	8	6,987	7,148
Property and equipment	9	44,270	32,220
Intangible assets	10	3,374	5,370
Total assets		**1,644,648**	**1,628,545**
Liabilities			
Sundry payables		15,855	16,728
Dividend payable	24	6,925	7,765
Reinsurance payables	11	81,849	68,273
Deferred tax	12	217	1,441
Technical provisions	13	622,755	632,299
Total liabilities		**727,601**	**726,506**
Shareholders' funds			
Retained earnings		208,147	216,979
Other reserves	14	209,291	243,566
Share premium		214,469	156,354
Share capital	15	285,140	285,140
Total shareholders' funds		**917,047**	**902,039**
Total liabilities and shareholders' equity		**1,644,648**	**1,628,545**

The financial statements on pages 49 to 89 were approved and authorised for issue by the Board of Directors of the Corporation on 8 April 2019 and were signed on its behalf by:

HASSAN BOUBRIK
Chairman

CORNEILLE KAREKEZI
Group Managing Director / CEO

The accompanying notes form an integral part of these financial statements.

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2018

	Notes	2018 US$'000	2017 US$'000
Gross earned premium	16	793,156	718,814
Less: retrocession premium	16	(119,602)	(111,918)
Net earned premium	**16**	**673,554**	**606,896**
Investment income	17	22,875	61,520
Commissions earned under retrocession arrangements		20,867	18,323
Other operating income	18	1,990	1,278
Total income		**719,286**	**688,017**
Net claims incurred	19	**(411,317)**	**(366,622)**
Acquisition expenses	20	(217,446)	(185,246)
Administrative expenses	21	(44,962)	(42,229)
Net foreign exchange (loss)/gain	22	(14,988)	(6,565)
Profit before income tax		**30,573**	**87,355**
Income tax charge/ Deferred taxation credit	23	696	627
Profit for the year		**31,269**	**87,982**
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss			
Exchange differences on translating foreign operations		(16,691)	24,150
Net fair value gain/ (loss) on revaluation of available-for-sale financial assets		4,816	(4,294)
Total other comprehensive (loss)/ income		**(11,875)**	**19,856**
Total comprehensive income for the year		**19,394**	**107,838**

The accompanying notes form an integral part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2018

	Retained earnings	Translation reserve	General reserve	Reserve for Market Value Adjustment	Reserve for exchange fluctuation	Reserve for loss fluctuation	Other total reserves	Share premium	Share capital	Total
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
At 1 January 2018	**216,979**	**(128,610)**	**309,806**	**876**	**6,294**	**55,200**	**243,566**	**156,354**	**285,140**	**902,039**
Total comprehensive income for the year	**31,269**	(16,691)	**-**	4,816	**-**	**-**	**(11,875)**	**-**	**-**	**19,394**
Buy back of ordinary shares	**-**	-	**(38,834)**	-	-	-	**(38,834)**	-	(24,420)	**(63,254)**
Issue of ordinary shares	**-**	-		-	-	-		58,115	24,420	**82,535**
Dividend declared in 2017	**(22,787)**	-	-	-	-	-	**-**		-	**(22,787)**
Corporate social responsibility fund	**(880)**	-	-	-	-	-	**-**	-	-	**(880)**
Transfer to reserves	**(16,434)**	-	15,634	-	-	800	**16,434**	-	-	**-**
At 31 December 2018	**208,147**	**(145,301)**	**286,606**	**5,692**	**6,294**	**56,000**	**209,291**	**214,469**	**285,140**	**917,047**
At 1 January 2017	**199,098**	**(152,760)**	**265,815**	**5,170**	**6,294**	**47,200**	**171,719**	**156,354**	**285,140**	**812,311**
Total comprehensive income for the year	**87,982**	24,150	-	(4,294)	-	-	**19,856**	**-**	**-**	**107,838**
Buy back of ordinary shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Dividend declared in 2016	**(17,108)**	-	-	-	-	-	**-**	-	-	**(17,108)**
Corporate social responsibility fund	**(1,002)**									**(1,002)**
Transfer to reserves	**(51,991)**	-	43,991	-	-	8,000	**51,991**	-	-	**-**
At 31 December 2017	**216,979**	**(128,610)**	**309,806**	**876**	**6,294**	**55,200**	**243,566**	**156,354**	**285,140**	**902,039**

The accompanying notes form an integral part of these financial statements.

Consolidated statement of cash flows for the year ended 31 December 2018

	Notes	2018 US$'000	2017 US$'000
Cash flows from operating activities			
Cash generated from operations	25	68,037	67,784
Income tax paid	23	(1,830)	(88)
Net cash from operating activities		66,207	67,696
Cash flows from investing activities			
Purchase of investment property	8	(5)	(29)
Purchase of property and equipment	9	(13,365)	(5,236)
Refund of intangible assets		836	
Purchase of intangible assets	10	(24)	(2,396)
Net Sale /(Purchase) of investments		15,478	(23,887)
Proceeds of disposal of property and equipment		5	5
Net cash generated from /(used in) investing activities		2,925	(31,543)
Cash flows from financing activities			
Proceeds from share subscription		82,535	-
Buy back of ordinary shares		(63,254)	-
Dividends paid	24	(23,627)	(14,376)
Net cash (used in) financing activities		(4,346)	(14,376)
Net increase in cash and cash equivalents		64,786	21,777
Movement in cash and cash equivalents:			
At start of year		285,601	243,968
Net increase in cash and cash equivalents		64,786	21,777
Net exchange (losses)/gains on liquid assets		(11,875)	19,856
At end of year	25(b)	**338,512**	**285,601**

The accompanying notes form an integral part of these financial statements.

Notes to the financial statements

1. General information

The African Reinsurance Corporation was established in 1976 by member States of the African Union (formerly Organisation of African Unity) and the African Development Bank as an inter-governmental institution to:

a) mobilise financial resources from insurance and reinsurance operations;

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

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

The Corporation is domiciled in Lagos, Nigeria at the following address:

Plot 1679, Karimu Kotun Street
Victoria Island
PMB 12765
Lagos, Nigeria

The Corporation carries out reinsurance business through its constituent offices in Abidjan, Cairo, Casablanca, Lagos, Nairobi, Ebene and Johannesburg via its wholly owned subsidiary, African Reinsurance Corporation (South Africa) Limited, a company incorporated in the Republic of South Africa and African Takaful Reinsurance Company in Egypt, also a wholly owned subsidiary.

2. Accounting policies

Adoption of new and revised International Financial Reporting Standards (IFRS)

i) New standards and amendments to published standards effective for the year ended 31 December 2018

The following new and revised IFRSs were effective in the current year and had no material impact on the amounts reported in these financial statements.

Standards	
IFRS 15 Revenue from Contracts with Customers	This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. The five steps include: identify the contract(s) with a customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contract and recognise revenue when (or as) the entity satisfies a performance obligation. Insurance contracts and financial instruments are not within the scope of this new standard. Consequently, the impact of IFRS 15 is not significant to the Corporation.

Amendments	
Transfers of Investment Property (Amendments to IAS 40)	Transfers of Investment Property (Amendments to IAS 40), issued in December 2016, amended paragraphs 57-58 and added paragraphs 84C-84E. Paragraph 57 now states that an entity shall transfer a property to, or from, investment property when, and only when, there is a change in use. A change in use occurs if property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The Corporation has investment property in its Lagos, Nairobi, Cairo and Casablanca offices. There was no change in the use of the property during the year. The application of the amendment had no effect on the Corporations financial statements.
Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4)	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4), issued in September 2016, amended several paragraphs and provided two options for entities that issue insurance contracts within the scope of IFRS 4: – an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach; – an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach. The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied. The application of this standard is likely to have an impact on amounts reported in the corporation's financial statements. The Corporation is making use of the deferral option provided in IFRS 4: Insurance Contracts and applying both IFRS 9 and IFRS 17 effective 1 January 2021.

ii) Impact of new and amended standards and interpretations on the financial statements for the year ended 31 December 2018 and future annual periods

New standards and Amendments to standards	Effective for annual periods beginning on or after
IFRS 16 Leases	1 January 2019
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	1 January 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle (amendments to IFRS 3 and 11 and IAS 12 and 23)	1 January 2019
Definition of Material (Amendments to IAS 1 and IAS 8)	1 January 2020
Definition of a Business (Amendments to IFRS 3 Business Combinations)	1 January 2020
IFRS 17 Insurance Contracts	1 January 2021

IFRS 16 Leases

IFRS 16 Leases, issued in January 2016 replaces IAS 17, IFRIC 4, SIC-15 and SIC-27. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions.

IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

The Corporation is in the process of assessing the impact of IFRS 16. The application of this standard is likely to have an impact on amounts reported in the corporation's financial statements. However, it is not practicable to provide a reasonable estimate on the effects of IFRS 16 until a detailed review has been completed.

Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)

Long-term Interests in Associates and Joint Ventures, issued in October 2017, added paragraph 14A and deleted paragraph 41. According to paragraph 14A an entity also applies IFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied.

The amendments and interpretations are not expected to have a material impact on financial position of the Corporation.

Annual Improvements to IFRS Standards 2015–2017 Cycle (Amendments to IFRS 3 and 11 and IAS 12 and 23)

Annual Improvements to IFRS Standards 2015–2017 Cycle, was issued in December 2017. The added amendment in IFRS 3 clarifies that, when obtaining control of a business that is a joint operation, the acquirer applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest in the joint operation at its acquisition-date fair value.

Amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, it does not remeasure its previously held interests.

Amendments to IAS 12 require an entity to recognise the income tax consequences of dividends as defined in IFRS 9 when it recognises a liability to pay a dividend. The income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

IAS 23 amendment of paragraph 14 clarifies that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of the funds an entity borrows generally.

The amendments and interpretations are not expected to have a material impact on financial position of the Corporation.

Definition of Material (Amendments to IAS 1 and IAS 8)

Definition of Material (Amendments to IAS 1 and IAS 8), issued in October 2018, amended paragraph 7 of IAS 1 and paragraph 5 of IAS 8, and deleted paragraph 6 of IAS 8. An entity shall apply those amendments prospectively for annual periods beginning on or after 1 January 2020. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.

The amendments and interpretations are not expected to have a material impact on financial position of the Corporation.

Definition of a Business (Amendments to IFRS 3 Business Combinations)

Definition of a Business, issued in October 2018, added paragraphs B7A–B7C, B8A and B12A–B12D, amended the definition of the term 'business' in Appendix A, amended paragraphs 3, B7–B9, B11 and B12 and deleted paragraph B10. An entity shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period. Earlier application of these amendments is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact.

The amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments and interpretations are not expected to have a material impact on financial position of the Corporation.

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts was issued in May 2017. The standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity.

IFRS 17 supersedes IFRS 4 Insurance Contracts. IFRS 17 is effective for annual periods beginning on or after 1 January 2021.

The application of this standard is likely to have an impact on amounts reported in the corporation's financial statements. However, it is not practicable to provide a reasonable estimate on the effects of IFRS 17 until a detailed review has been completed.

iii) Early adoption of standards

The Corporation did not early-adopt any new or amended standards in 2018.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below:

A. Basis of preparation

Statement of compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standard (IFRS) and its interpretations issued by the International Accounting Standard Board (IASB).

The financial statements are presented in United States dollars (US$'000). They have been prepared under the historical cost convention, as modified by the carrying of certain investments at fair value. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise judgement in the process of applying the Corporation's accounting policies. Although estimates are determined on the basis of historical information, actuarial analyses and the directors' best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis to take account of new and available information. Revisions to accounting estimates are recognised in the year in which the estimate is revised.

B. Basis of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The corporation applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of

the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

The consolidated financial statements incorporate the financial statements of the company and its subsidiaries African Reinsurance Corporation (South Africa) Limited, Africa Retakaful (Egypt) and Sherborne Number Ten Parktown Investments Proprietary (South Africa) Limited.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset.

In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Investments in subsidiary companies in the corporation's books are carried at cost less provision for impairment.

C. Use of estimates in the preparation of financial statements

The preparation of the consolidated financial statements require management to make significant estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amount of income and expense during the reporting period.

A significant degree of judgement has been used in the determination of the adequacy of provision for outstanding claims and claims incurred but not reported at the reporting date. In addition, the income statement includes estimates for premium, claims and charges data that were not received from ceding companies at the date of the financial statements.

These estimates are determined on the basis of historical information, actuarial analyses and other analytical techniques. Actual results could differ from these estimates.

D. Classification of insurance contracts

Contracts under which the Group accepts significant insurance risk from another party (the ceding company or cedant) by agreeing to compensate the cedant or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary are classified as insurance contracts.

E. Recognition and measurement of insurance contracts

Short-term insurance contracts are accounted for on an annual basis. The Group also accounts for long-term insurance contracts on an annual basis.

(i) Short-term insurance contract premium

Written premium on short-term insurance contracts comprises premiums on contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premium income for the period includes adjustments to premiums written in prior accounting periods and estimates for pipeline or premium not yet advised by the cedant for contracts in force at the end of the period. Where statements of insurance contract accounts have not been received at year-end, pipeline premiums are estimated on the basis of the latest available information. An estimate is made at the reporting date to recognise retrospective adjustments to premium or commission. Premium relating to the expired risk period is taken as earned and recognised as revenue for the period while premium relating to the unexpired risk period is treated as a provision for unearned premium.

The outward reinsurance premiums relating to earned premiums are recognised as expense in accordance with the reinsurance services received.

(ii) Unearned premium provision for short-term insurance contracts

The portion of gross written premium on short-term insurance contracts, which is estimated to be earned in the following or subsequent years, is accounted for as unearned premium provision. For proportional treaty business, this is computed separately for each contract at the reporting date, using 50% of written premium in respect of the current underwriting year for Africa Re Group excluding the

South African subsidiary, where computation is based on the one-over-eighth method. For non-proportional and facultative business this is computed on the pro-rata basis. Where the nature of the underlying business and risk does not justify the use of the above methods, the unearned premium provision is calculated on basis relevant to the risk profile of the insurance contract.

(iii) Claims arising from short-term insurance contracts

Claims incurred in respect of short-term insurance contracts consist of claims and claims handling expenses paid during the financial year as well as movements in provision for outstanding claims and claims incurred but not reported (IBNR).

Outstanding claims comprise provisions for all the Corporation's estimated ultimate costs of settling all claims incurred but unpaid at the reporting date whether reported or not and related claim handling expenses. Outstanding claims that have occurred at the reporting date and have been notified to the Corporation by the cedants are carried at their face value. Adequate provisions are also made for claims incurred but not reported at the reporting date using historical experience and best available information. Outstanding claim provisions are disclosed at their carrying amounts and are not discounted except where there is a particularly long period from the claim incident to settlement in which case outstanding claims are discounted using a discount rate that best reflects current assessment of time value of money and associated risks. Anticipated reinsurance recoveries on claims are disclosed separately as assets.

(iv) Unexpired risk provision for short-term insurance contracts

Where the expected value of claims liabilities and expenses attributable to the unexpired periods of the insurance contracts in force at the reporting date exceed the unearned premium provision relating to those contracts after deduction of any deferred costs, provision is made for unexpired risks for the estimated excess liabilities.

(v) Claims arising from long-term insurance contracts

Claims incurred in respect of long-term insurance contracts consist of claims arising during the year including provision for policyholder liabilities. Outstanding claims on long-term insurance contracts that have occurred at the reporting date and have been notified to the Corporation by the cedants are carried at the claim amounts advised by the cedants.

The operating surpluses or losses arising from insurance contracts are determined by regular actuarial valuation. These surpluses or losses are arrived at after taking into account the movement in actuarial liabilities under unmatured policies, provisions for profit commissions accrued and adjustments to contingency and other reserves within the policyholder liabilities.

F. Property and equipment

Property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. 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 Group and the cost of the item can be measured reliably. All other expenses are treated as other repairs and maintenance costs and charged to the income statement during the financial period in which they are incurred.

Freehold land is not depreciated. Depreciation is calculated on other property and equipment on the straight line basis to write down the cost of each asset to its residual value over its estimated useful life as follows:

- Buildings: 2% or over the lease period if less than 50 years
- Furniture, fittings and equipment: between 6.67% and 33.33%
- Motor vehicles: 25%

Asset residual values and their estimated useful lives are reviewed at each reporting date and adjusted if appropriate.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property and equipment are determined by comparing proceeds with their carrying amounts.

G. Intangible assets

(i) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful life (4 years) of the software.

External costs that are directly associated with the production of identifiable software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, not exceeding a period of four years.

(ii) Deferred acquisition costs

Acquisition costs comprise insurance commissions, brokerage and other related expenses arising from the conclusion of insurance contracts. The proportion of acquisition costs that correspond to the unearned premiums are deferred and amortised on a pro rata basis over the contract term.

H. Investment property

Property held for long-term rental yields that is not occupied by the companies in the Group is classified as investment property.

Investment property comprises freehold land and buildings. It is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Freehold land is not depreciated. Depreciation on buildings is calculated on a straight line basis to write down the cost of each building to its residual value over a period of 50 years or the remaining lease period if the lease period of the land on which the building is located is less than 50 years.

I. Financial assets and liabilities

i. Financial assets – Recognition, classification and measurement

Financial assets and liabilities are recognised when the group becomes a party to the contractual provisions of the instrument.

Classification of financial assets

The group classifies its financial assets into the following categories:

i) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments and are not quoted in an active market. After initial measurement at cost, receivables are subsequently remeasured to amortised cost using the effective interest rate method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate.

ii) Financial assets at fair value through profit or loss (FVTPL)

Financial assets at fair value through profit or loss are those which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit-taking exists. Investments classified as fair value through profit or loss are initially recognised at cost and subsequently re-measured to fair value based on quoted bid prices or dealer price quotations, without any deduction for transaction costs.

All related realised and unrealised gains and losses are included in the profit or loss. Interest earned whilst holding held for trading investments is reported as investment income.

iii) Held to maturity investments

Held to maturity financial investments are those which carry fixed or determinable payments and have fixed maturities and which the group has the intention and ability to hold to maturity.

After initial measurement, held to maturity financial investments are subsequently measured at amortised cost using the effective interest rate method, less any allowances for impairment.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortisation and losses arising from impairment of such investments are recognised in the profit or loss.

iv) Available for sale financial assets

Investment securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity, or changes in interest rates, exchange rates or equity prices are classified as available for sale and are initially recognised at cost. Available for sale investments are subsequently re-measured to fair value, based on quoted bid prices or amount derived from cash flow models or the value of the share from the latest financial statements available. Unrealised gains and losses arising from changes in the fair value of securities classified as available for sale are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses, interest calculated using effective interest method, and foreign exchange gains and loss on monetary assets which are recognized in profit or loss. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified to profit or loss.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

The objective evidence of impairment of receivables arises when there is a significant financial difficulty of the counter party or when there is a default or delinquency in the interest or principal payments. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition.

The carrying amount of the financial asset is reduced by the impairment loss indirectly through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss for the year. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Derecognition of financial assets

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

The Group does not have financial liabilities classified as at FVTPL.

Other financial liabilities

Other financial liabilities which includes creditors arising out of reinsurance arrangements and direct insurance arrangement, borrowings and other payable, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

De-recognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The condition is met when the liability is settled by paying the creditors, or when the Group is released from primary responsibility for the financial liability either by process of law or by creditor.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

J. Reinsurance receivables

All amounts receivable are initially recognised at fair value.

Amounts recoverable under the retrocession contracts are recognised in the same year as the related claims and are disclosed in the income statement and statement of financial position on a gross basis.

Amounts recoverable under reinsurance and retrocession contracts are assessed for impairment losses at each reporting date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition that the Group may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the company will receive from the debtors.

The carrying amounts of the assets are reduced by the impairment losses and the impairment losses recognised in the profit and loss account for the period.

K. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents, comprise short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

L. Foreign currency translation

(i) Functional and presentation currencies

The Group's constituent offices are geographically dispersed within Africa, and it conducts its operations in several currencies.

The primary economic environment in which an entity operates is normally the one in which it primarily generates and expends cash. An entity considers the following factors in determining its functional currency:

(a) the currency:

- that mainly influences sales prices for goods and services; and
- of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services.

(b) the currency that mainly influences labour, material and other costs of providing goods or services.

The functional currencies of the group's constituent offices have been determined as currencies of countries in which they are established.

In line with IAS 21 revised, the group has selected, United States dollars, as its presentation currency.

(ii) Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss in the period in which they arise. When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) are translated into the presentation currency as follows:

a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

b) income and expenses for each profit and loss account are translated at average exchange rates prevailing over the reporting period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);

c) all resulting exchange differences are recognised in the translation reserve in equity.

In line with IAS 21 revised, the group's constituent offices are considered as foreign operations and are consolidated as such.

M. Leases

Leases in which a significant proportion of the risks and rewards of ownership are retained by an entity within the group as a lessee are classified as operating leases. Payments made under operating leases are charged to income on the straight-line basis over the period of the lease.

N. Employee benefits

Retirement benefit obligations

The Corporation operates a defined contribution retirement benefit scheme and an unfunded defined benefit service gratuity scheme for its employees. Under the defined contribution scheme, the Corporation pays fixed contributions into a separate entity.

Once the contributions have been paid, the Group retains no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to finance benefits accruing under the retirement benefit plan.

The employee's entitlements to retirement benefits under the gratuity scheme depend on the individual's years of service and terminal salary.

The Group's contributions to the defined contribution schemes are charged to the income statement in the year to which they relate.

The liability recognised in the statement of financial position in respect of the unfunded defined service gratuity scheme is the present value of the defined benefit obligation at the reporting date.

Other employee benefits

The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognised as an expense accrual. Other employee benefits are recognised when they accrue to employees.

O. Income tax

In accordance with Article 51 of the Agreement Establishing the African Reinsurance Corporation, the Corporation is not subject to tax in member States. Tax expense/(income) therefore comprises current and deferred taxes arising in South Africa in respect of the South Africa subsidiary and is computed in accordance with South African tax laws.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Corporation's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences are utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates that have been enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred taxes are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognised in other comprehensive income.

P. Dividends

Dividends payable are recognised as a liability in the period in which they are approved by the shareholders.

Q. Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

4 Investments

	2018 US$'000	2017 US$'000
i) Investments by category		
Held to maturity		
Bank deposits	147,036	177,408
Deposits with ceding companies	135,065	127,057
Fixed rate securities held to maturity	234,287	169,432
Floating rate securities at cost	67,306	47,371
	583,694	521,268
Fair value through profit or loss		
Fixed rate securities at fair value through profit or loss	124,260	166,077
Quoted equity investments at fair value through profit or loss	69,416	142,244
	193,676	308,321
Available for sale		
Redeemable preference shares	-	1,397
Unquoted equity investments at fair value	49,239	39,395
	49,239	40,792
	826,609	**870,381**

Fixed rate securities held to maturity are presented in the Group's statement of financial position at their amortized costs as at 31 December 2018 of US$ 234,287,041 (2017 – US$169,432,092). The fair value of the held- to- maturity assets as at 31 December 2018 was US$ 223,467,378 (2017: US$ 168,837,275).

Unquoted equity investments are valued at fair value of US$ 49,239,040 (2017: US$ 39,394,693).

The Group's overall commitment in unquoted private equity investments as at 31 December 2018 was US$ 54,602,161 (2017: US$ 52,090,000).

ii) Weighted average effective interest rates	2018 %	2017 %
Interest-bearing investments denominated in:		
US dollars	1.57	2.61
Euro	0.54	1.78
South African rand	3.79	8.83

iii) Fair value measurements recognised in the statement of financial position

The following table provides an analysis of the Corporation's financial assets that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	31/12/2018			
	Level 1	Level 2	Level 3	**Total**
	US$'000	US$'000	US$'000	**US$'000**
Financial assets at fair value through profit or loss				
Non-derivative financial assets held for trading	**193,676**	-	-	**193,676**
Available-for-sale financial assets				
Redeemable preference shares		-	-	-
Total	**193,676**	-	-	**193,676**

This represents fixed rate securities at fair value through profit or loss and quoted equity investments at fair value through profit or loss.

	31/12/2017			
	Level 1	Level 2	Level 3	**Total**
	US$'000	US$'000	US$'000	**US$'000**
Financial assets at fair value through profit or loss				
Non-derivative financial assets held for trading	**308,321**	-	-	**308,321**
Available-for-sale financial assets	-			
Redeemable preference shares	**1,397**	-	-	**1,397**
Total	**309,718**	-	-	**309,718**

	2018	**2017**
5 Deferred Acquisition Costs	**US $'000**	**US $'000**
Balance at 1 January	50,137	43,644
Exchange rate impact on opening balance	(4)	342
	50,133	43,986
Released during the year	(50,133)	(43,986)
Deferred during the year	51,812	50,137
At 31 December	**51,812**	**50,137**

		2018 US$'000	2017 US$'000
6	**Reinsurance receivables**		
	Gross receivables arising from reinsurance arrangements	225,658	241,958
	Provision for impairment	(38,839)	(34,128)
		186,819	**207,830**
	Comprising:		
	Current portion	69,427	81,877
	Non-current portion	117,392	125,953
		186,819	**207,830**
7	**Retrocessionnaires share of technical provisions**		
	Claims recoverable	93,687	75,900
	Deferred retrocession premiums	21,145	24,666
		114,832	**100,566**
8	**Investment properties**		
	Cost		
	At 1 January	9,614	9,508
	Transfer from/to buildings	-	77
	Additions	5	29
	At 31 December	9,619	9,614
	Depreciation		
	At 1 January	2,466	2,302
	Charge for the year	166	164
	At 31 December	2,632	2,466
	Net book value	**6,987**	**7,148**
	The following amounts have been recognised in statement of profit or loss and other comprehensive income in respect of investment properties:		
	Net rental income (Note 17)	**1,480**	**1,336**

Investment properties represent the lettable portion of the Corporation's headquarters building in Lagos as well as regional office buildings in Nairobi and Casablanca.

At 18 December 2017, the market value of the headquarters building was estimated at US$ 24.36 million (net book value: US$ 2.94 million) based on a valuation by Knight Frank, a firm of Estate Surveyors.

At 12 April 2016, the market value of the Casablanca regional office building was estimated at US$ 11.90 million (net book value: US$ 2.58 million) based on a valuation by El Habib Chbani, a firm of Estate Surveyors.

At 31 December 2016, the market value of the Nairobi regional office building was estimated at US$ 8.19 million (net book value: US$ 1.47 million) based on a valuation by Knight Frank, a firm of Estate Surveyors.

Details of the group's investment properties and information about the fair value hierarchy as at 31 December 2018 as follows:

	Level 1	Level 2	Level 3	Fair value as at 31/12/2018
	US $'000	US $'000	US $'000	US $'000
Headquarters building	-	24,362	-	24,362
Casablanca regional office building	-	11,903	-	11,903
Nairobi regional office building	-	8,194	-	8,194

There were no transfers between levels 1 and 2 during the year.

	Level 1	Level 2	Level 3	Fair value as at 31/12/2017
	US $'000	US $'000	US $'000	US $'000
Headquarters building	-	24,433	-	24,433
Casablanca regional office building	-	12,153	-	12,153
Nairobi regional office building	-	8,091	-	8,091

There were no transfers between levels 1 and 2 during the year.

9. Property and equipment

	Assets under construction	Buildings & freehold Land	Fittings & equipment	Motor vehicles	Total
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Year ended 31 December 2018:					
Cost					
At 1 January	**9,562**	**22,227**	**14,712**	**1,459**	**47,960**
Additions	12,459	17	570	319	**13,365**
Disposals	-	-	(169)	(12)	**(181)**
Transfer from Assets under construction	(650)	-	650	-	**-**
Transfer to Intangible assets	377	-	-	-	**377**
	21,748	**22,244**	**15,763**	**1,766**	**61,521**
Depreciation					
At 1 January	**-**	**3,556**	**11,026**	**1,158**	**15,740**
Depreciation charge	-	427	1,101	154	**1,682**
Disposals	-	-	(159)	(12)	**(171)**
	-	**3,983**	**11,968**	**1,300**	**17,251**
Net Book Value	**21,748**	**18,261**	**3,795**	**466**	**44,270**
Year ended 31 December 2017:					
Cost					
At 1 January	8,345	21,333	13,204	1,345	**44,227**
Additions	3,468	872	735	161	**5,236**
Disposals	-	-	(129)	(47)	**(176)**
Transfer from assets under construction	(924)	22	902	-	**-**
Transfer from Investment property	(77) (1,250)	-	-	-	**(77)** **(1,250)**
	9,562	**22,227**	**14,712**	**1,459**	**47,960**
Depreciation					
At 1 January	-	3,284	10,178	983	**14,445**
Depreciation charge	-	272	975	222	**1,469**
Disposals	-	**-**	(127)	(47)	**(174)**
	-	**3,556**	**11,026**	**1,158**	**15,740**
Net Book Value	**9,562**	**18,671**	**3,686**	**301**	**32,220**

Included in buildings and freehold land is a total amount of US$4,769,957 (2017: US$4,893,328) representing the carrying amount of the owner-occupied proportion of the Group's headquarters building in Lagos and regional office buildings in Nairobi and Casablanca. The assets under construction represent fixed assets in progress.

Included above are assets with a total cost of US$ 8,558,985 (2017: US$8,534,421) which were fully depreciated as at 31 December 2018. The normal depreciation charge on these assets would have been US$ 1,453,391 (2017: US$1,410,384).

10. Intangible Assets

	Computer Software	Computer Software in progress	Total
	US $'000	US $'000	US $'000
Year ended 31 December 2018:			
Cost			
At 1 January	4,597	3,177	**7,774**
Additions	24	-	**24**
Transfers from Property and Equipment	-	(377)	**(377)**
Recovered project costs in progress	-	(836)	**(836)**
At 31 December	**4,621**	**1,964**	**6,585**
Amortisation			
At 1 January	2,404	-	**2,404**
Charge for the year	807	-	**807**
At 31 December	**3,211**	**-**	**3,211**
Net book value	**1,410**	**1,964**	**3,374**

	Computer Software	Computer Software in progress	Total
	US $'000	US $'000	US $'000
Year ended 31 December 2017:			
Cost			
At 1 January	2,074	3,304	**5,378**
Additions	-	2,396	**2,396**
Transfers from software in progress	2,523	(2,523)	**-**
At 31 December	**4,597**	**3,177**	**7,774**
Amortisation			
At 1 January	1,532	-	**1,532**
Charge for the year	872	-	**872**
At 31 December	**2,404**	**-**	**2,404**
Net book value	**2,193**	**3,177**	**5,370**

Included above are assets with a total cost of US$971,303 (2017: US$971,303) which were fully amortised as at 31 December 2018. The normal amortisation charge on these assets would have been US$194,260 (2017: US$194,260).

11 Reinsurance payables

	2018 US$'000	2017 US$'000
Payables under reinsurance arrangements	47,039	49,179
Payables under retrocession arrangements	34,810	19,094
	81,849	**68,273**

12 Deferred tax

Deferred tax relates only to a subsidiary company, African Reinsurance Corporation South Africa (ARCSA) and is calculated in full using the liability method and applying a principal tax rate of 28%. The movement on the deferred tax account is as follows:

	2018 US$'000	2017 US$'000
At 1 January	1,441	1,900
Exchange rate impact on opening balance	(206)	209
Reclass to income tax payable	44	-
(Credit)/charge to profit or loss (Note 23)	(1,062)	(668)
At 31 December	**217**	**1,441**

Deferred tax assets, liabilities and deferred tax charge/(credit) in the financial statements are attributable to the following items:

	01.01.18 US $'000	Charged to P/L US $'000	31.12.18 US $'000	31.12.17 US $'000
Excess depreciation over capital allowances	(100)	4	(96)	(87)
Unrealised gain on revaluation of investments	3,239	(2,478)	761	3,017
Accumulated losses	(1,698)	1,412	(286)	(1,698)
Exchange rate impact on opening balance	(206)	-	(206)	209
Reclass to income tax payable	44	-	44	
Net deferred tax liability	**1,279**	**(1,062)**	**217**	**1,441**

13 Technical provisions

i) Analysis of outstanding balances

	2018 US$'000	2017 US$'000
Provision for reported claims	420,158	432,724
Provision for claims incurred but not reported	81,532	80,304
Cumulative translation reserve	(91,310)	(91,310)
Total outstanding claims	410,380	421,718
Provision for unearned premiums	212,375	210,581
	622,755	**632,299**
Comprising:		
- current portion	361,175	362,044
- non-current portion	261,580	270,255
	622,755	**632,299**

During the year the provision of US$ 13,250,000 (2017 – US$ 18,005,940) was released. The provision was set up in earlier years to further cushion the Corporation against adverse impact of technical losses.

ii) Analysis of outstanding claims reserve development per underwriting year

U/W YR	2008 US$'000	2009 US$'000	2010 US$'000	2011 US$'000	2012 US$'000	2013 US$'000	2014 US$'000	2015 US$'000	2016 US$'000	2017 US$'000	2018 US$'000
Gross outstanding claims reserve	**179,076**	**209,347**	**261,164**	**273,011**	**332,025**	**320,708**	**377,451**	**316,840**	**308,777**	**362,044**	**361,175**
Gross paid (Cu-mulative):											
1 year later	121,336	116,271	107,963	91,909	108,649	126,366	122,505	119,797	139,091	180,724	-
2 years later	167,922	152,433	163,498	153,569	154,306	175,595	170,088	192,806	246,051	-	-
3 years later	188,457	169,968	182,869	173,006	167,714	193,265	187,405	222,112	-	-	-
4 years later	197,253	189,701	194,440	182,094	177,689	198,759	199,248	-	-	-	-
5 years later	200,887	193,590	200,507	187,794	183,105	210,064	-	-	-	-	-
6 years later	203,935	198,142	203,127	191,343	187,456	-	-	-	-	-	-
7 years later	208,291	200,213	207,117	194,321	-	-	-	-	-	-	-
8 years later	209,176	202,738	211,642	-	-	-	-	-	-	-	-
9 years later	210,023	204,583	-	-	-	-	-	-	-	-	-
10 years later	211,009	-	-	-	-	-	-	-	-	-	-
Re-estimated as of:	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Closed year	**179,076**	**209,347**	**261,164**	**273,011**	**332,025**	**320,708**	**377,451**	**316,840**	**308,777**	**362,044**	**361,175**
1 year later	205,816	213,216	193,863	215,433	201,879	207,014	208,432	207,434	257,732	289,125	-
2 years later	203,417	205,401	212,347	216,229	208,458	202,141	220,067	215,347	333,495	-	-
3 years later	192,482	224,140	211,157	218,241	209,562	207,895	220,330	266,126	-	-	-
4 years later	192,446	224,929	211,533	217,345	205,796	210,040	218,945	-	-	-	-
5 years later	191,527	222,622	211,983	218,897	204,066	228,995	-	-	-	-	-
6 years later	190,083	221,348	212,662	221,573	203,567	-	-	-	-	-	-
7 years later	189,634	220,850	213,708	203,403	-	-	-	-	-	-	-
8 years later	189,610	220,591	221,659l	-	-	-	-	-	-	-	-
9 years later	188,761	212,730	-	-	-	-	-	-	-	-	-
10 years later	218,349	-	-	-	-	-	-	-	-	-	-
Gross redundancy/ (deficiency)	**(39,273)**	**(3,383)**	**39,505**	**69,608**	**128,458**	**91,713**	**158,506**	**50,714**	**(24,718)**	**72,919**	

14 Other reserves

	2018 US$'000	2017 US$'000
General reserve	286,606	309,806
Reserve for exchange fluctuation	6,294	6,294
Reserve for loss fluctuation	56,000	55,200
Reserve for market value adjustment	5,692	876
Translation reserve	(145,301)	(128,610)
	209,291	**243,566**

(i) General reserve
An amount equivalent to 50% of the net profit for each year is set aside as a general reserve in accordance with General Assembly resolution number 4/1992.

(ii) Reserve for exchange fluctuation
The reserve for exchange fluctuation represents an amount set aside by the Directors from the profits for each year to cushion the effects of adverse movements in exchange rates in the countries of operation.

(iii) Reserve for loss fluctuation
The reserve for loss fluctuation represents an amount over and above the outstanding claims provision set aside by the directors from the profits of each year to moderate the effects of possible fluctuation in losses in future years.

(iv) Translation reserve
The translation reserve represents the unrealised exchange gains or losses arising from translation of the corporation's assets and liabilities from the various functional currencies to the corporation's presentation currency at each reporting date.

(v) Reserve for market value adjustment
The reserve for market value adjustment represents the unrealised gain or loss arising from the changes in the fair value of the financial assets classified as available for sale.

Movements in the other reserves are shown in the statement of changes in equity on page 51.

15 Share capital

	2018 Number	2017 Number
Authorised share capital	**5,000,000**	**5,000,000**
Issued and fully paid	**2,851,405**	**2,851,405**
	US$'000	**US$'000**
Issued and fully paid at 31 December	285,140	285,140
Nominal value per share	**$100**	**$100**

The movement in issued and fully paid share capital is as below:	2018 US$ '000'	2017 US$ '000'
At start of year	285,140	285,140
Buy back of ordinary shares	24,420	-
Issue of ordinary shares	(24,420)	-
At end of year	**285,140**	**285,140**

16 Earned premium

The premium income of the group is analysed into the main classes of business as shown below:

	2018			2017		
	Gross US$'000	Retrocession US$'000	Net US$'000	Gross US$'000	Retrocession US$'000	Net US$'000
Fire and accident	633,120	(67,453)	565,667	564,246	(59,726)	504,520
Marine and aviation	106,893	(48,131)	58,762	105,951	(48,704)	57,247
Life	53,143	(4,018)	49,125	48,617	(3,488)	45,129
	793,156	**(119,602)**	**673,554**	**718,814**	**(111,918)**	**606,896**

17 Investment income

	2018 US$000	2017 US$000
Held to maturity		
Interest income from bank deposits	18,733	17,167
Interest income from deposits with ceding companies	2,100	2,149
Interest income from fixed rate securities HTM	6,955	7,516
Interest income from Floating rate Notes	1,098	1,100
	28,886	**27,932**
Fair value through profit or loss		
Interest income from fixed rate securities at fair value through profit or loss	8,907	6,244
Dividend from quoted equity investments at fair value through profit or loss	4,754	5,298
Fair value (losses)/gains from quoted equity investments	(27,645)	13,878
Fair value (losses)/gains from listed bonds	(649)	2,503
	(14,633)	**27,923**
Available for sale		
Dividend from unquoted equity investments at fair value	**1,270**	**862**
Rental Income	1,480	1,336
Realized gains on equity portfolios	10,553	4,664
Realized losses on bond portfolios	(3,050)	(58)
Management fees from equity portfolio	(748)	(551)
Management fees from bond portfolios	(883)	(588)
	7,352	**4,803**
Total	**22,875**	**61,520**

18 Other operating income

Fee income	1,955	1,252
(Loss)/ gain on disposal of property and equipment	(5)	3
Sundry income	40	23
	1,990	**1,278**

19 Claims incurred

Claims incurred by principal class of business;	2018 Gross US$'000	2018 Retrocession US$'000	2018 Net US$'000	2017 Gross US$'000	2017 Retrocession US$'000	2017 Net US$'000
Fire and accident	395,918	(43,710)	352,208	366,216	(43,822)	322,394
Marine and aviation	38,875	(5,837)	33,038	33,981	(10,525)	23,456
Life	26,299	(228)	26,071	22,062	(1,290)	20,772
	461,092	**(49,775)**	**411,317**	**422,259**	**(55,637)**	**366,622**

20 Acquisition costs

	2018 US $'000	2017 US $'000
Commission paid	193,907	169,245
Charges paid	25,180	23,442
Movement in deferred acquisition cost	(1,641)	(7,441)
	217,446	**185,246**

21 Administrative expenses

Staff costs	24,021	22,742
Auditors' remuneration	254	224
Depreciation on property and equipment	1,682	1,469
Depreciation on investment property	166	164
Amortisation of intangible assets	807	872
Impairment charge on reinsurance receivables	7,770	3,518
Assets impairment (recovery)/expense	(1,250)	1,250
Operating lease rentals	404	318
Repairs and maintenance expenditure	931	1,005
Consultancy fees	1,012	1,546
Travel costs and allowances	794	797
General Assembly and Board of Directors' meetings	1,649	1,484
Electricity and water	674	549
Insurance	578	604
Communication expenses	314	315
Advertisement and entertainment	792	680
Training and subscriptions	290	279
Technical assistance	245	266
Medical expenses	559	458
Computer and word processing	2,397	2,796
Transport and maintenance	127	141
Bank charges and other fees	342	315
Office expenses	230	257
Legal expenses	138	161
Donations	36	19
	44,962	**42,229**

Staff costs include retirement benefit costs amounting to 2018: US$ 2,547,415 (2017: US$2,898,567).

22 Net foreign exchange loss

These comprise of currency translation losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies.

	2018 US$'000	2017 US$'000
Net foreign exchange (loss)/gain	**(14,988)**	**(6,565)**

23 Taxation

In accordance with Article 51 of the Agreement Establishing the African Reinsurance Corporation, the Corporation is not subject to tax in member States. The tax charged in the financial statements relates to a subsidiary company's profit, which is computed in accordance with the income tax rules applicable in the subsidiary company's jurisdiction, the Republic of South Africa.

Tax charged in the financial statements is made up of:

	2018 US$'000	2017 US$'000
Current income tax charge	366	41
Deferred income tax (credit)/charge (Note 12)	(1,062)	(668)
	(696)	**(627)**

The movement in the tax recoverable account is as follows:

	2018 US$'000	2017 US$'000
At 1 January	847	800
Current tax charge for the year	(366)	(41)
Tax paid	1,830	88
At December	**2,311**	**847**

24 Dividends

At the Annual General Meeting (AGM) to be held on 17 June 2019, a final dividend in respect of the year ended 31 December 2018 of US$ 8.0 per share on 2,851,405 existing shares amounting to a total of US$ 22,811,240 (2017: Total dividend; US$ 22,787,240) represented by a dividend per share of US $ 8.0 on existing shares is to be proposed. The dividend declared at the AGM held on 21 June 2018 was charged to shareholders' equity in these financial statements. The liability for the dividend payable on the 2018 results shall be treated as an appropriation of profit in the financial statements for the year ending 31 December 2019.

The movement in the dividends payable account is as follows:

	2018 US$ '000	2017 US$ '000
At 1 January	7,765	5,033
Final dividends declared	22,787	17,108
Dividends paid	(23,627)	(14,376)
At 31 December	**6,925**	**7,765**

25 Notes to the statement of cash flows

a) Reconciliation of profit before tax to cash generated from operations:

	Notes	2018 US$'000	2017 US$'000
Profit before income tax		30,573	87,355
Adjustments for:			
Depreciation on investment property	8	166	164
Depreciation on property and equipment	9	1,682	1,469
Amortisation of intangible assets	10	807	872
Asset impairment			1,250
Loss/(Gain) on disposal of property and equipment		5	(3)
Change in fair value of financial assets		28,293	(16,381)
Working capital changes;			
- Premium income receivable		(647)	2,417
- Deferred acquisition costs		(1,674)	(6,493)
- Reinsurance receivables		21,011	(51,969)
- Retrocessionaires' share of technical provisions		(14,266)	(37,997)
- Sundry receivables		(30)	(1,352)
- Reclassification of deferred tax liability		44	-
- Sundry payables		(1,753)	(19,438)
- Exchange difference on deferred tax opening balance	12	(206)	209
- Reinsurance payables		13,576	15,096
- Technical provisions		(9,544)	92,585
Cash generated from operations		**68,037**	**67,784**

b) Cash and cash equivalents

	2018	2017
Cash and bank balances	174,730	97,929
Bank deposits with financial institutions maturing within 90 days	163,782	187,672
Cash and cash equivalents	**338,512**	**285,601**

26 Related party transactions and balances

Transactions between African Reinsurance Corporation and subsidiaries that are to be deemed related parties have been eliminated in consolidation and are not disclosed in the notes.

African Reinsurance Corporation has established a Staff Provident Fund to provide a long-term savings plan for its employees. The Staff provident fund is considered a related party in accordance with IAS 24. Contributions to the Fund are recognised as expenses.

African Reinsurance Corporation established a Corporate Social Responsibility Trust fund to engage in corporate social responsibility projects and initiatives aimed at fostering the development of the insurance and reinsurance industry in Africa.

The Trust fund is considered a related party in accordance with IAS 24. Each year the Corporation allocates an amount up to a maximum of 2% from its yearly net profit after tax to this special fund.

i) Transactions with related parties - Shareholders

No individual shareholder has a controlling interest in the Corporation.

	2018 US$ '000	2017 US$ '000
ii) Administration of Staff Provident fund Contributions paid	965	1,048
iii) Remuneration for key management personnel		
Directors' fees (non-executive directors)	753	732
Other remuneration (elected members of management)		
- Salaries and other short term benefits	1,523	1,487
- Terminal benefits	169	169
iv) Administration of Africa Re Corporate Social Responsibility Trust fund		
Funds allocated to the trust fund	880	1,002

27 Management of Insurance Risks

Insurance risk

The Corporation reinsures all classes of insurance business including Accident and Health, Engineering, Guarantee, Liability, Motor, Fire, Marine, Energy, Aviation, Disability and Life. The bulk of the business written is short-tail in nature.

The risk under any one insurance contract is two-fold: underwriting – the possibility that the insured event occurs, and reserving – the uncertainty of the amount of the resulting claim.

The Corporation has developed a detailed underwriting manual covering risk acceptance criteria, pricing, accumulation control, authority levels, and reinsurance protection, among others. It guides the underwriters in their acceptances, on the principles of prudence and professionalism within the overall objective of diversifying the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. The priority is to ensure adherence to criteria for risk selection by maintaining high levels of experience and expertise among the underwriting staff. In addition, the Corporation has put in place a business review structure that ensures control of risk quality and conservative use of policy limits, terms and conditions. An independent Department, Technical Inspection and Enterprise Risk Management, ensures adherence to these guidelines through periodic review of each production centre's operations. The reports of the review are submitted to Management and the Audit & Risks Committee of the Board.

The Corporation enters into retrocession arrangements with reputable retrocessionaires to diversify its risks and reduce the risk of catastrophic loss on reinsurance assumed. The retrocession does not relieve the Corporation of its obligations to the ceding companies. As part of its annual renewals, the financial condition of retrocessionaires is reviewed. As a result, retrocession is placed with a select group of financially secure and experienced companies in the industry. The retrocession arrangements existing are as follows:

31 December 2018

Class of business	**Gross exposure US$' 000**	**Net exposure US$' 000**
Property risk excess of loss	100,000	15,000
Property catastrophe excess of loss	200,000	25,000
Marine & Energy excess of loss	60,000	12,500
Aviation excess of loss	12,000	3,000

31 December 2017 **Class of business**	**Gross exposure US$' 000**	**Net exposure US$' 000**
Property risk excess of loss	100,000	15,000
Property catastrophe excess of loss	200,000	25,000
Marine & Energy excess of loss	60,000	15,000
Aviation excess of loss	12,000	3,000

27 Financial risk management

In the normal course of business the Corporation uses primary financial instruments such as cash and cash equivalents, bonds, equities and receivables and as a result is exposed to potential losses due to various market risks including changes in interest rates, equity prices and foreign currency exchange rates. The Corporation's financial management activities are guided by the financial regulations as well as the investment policy document. Detailed guidelines are provided in the accounting and administrative procedures manuals. They provide the framework for the investing activities and set specific limits and benchmarks for the acceptable levels of counter party exposure, concentration, credit risk, currency risk, liquidity risk and interest rate risk, among others.

a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Corporation is exposed to credit risk through its financial assets, which include short-term bank deposits, fixed income securities and receivables.

Short-term bank deposits are placed with financial institutions of very high credit rating and are spread over a number of them to avoid undue concentration. The Corporation's financial regulations prescribe minimum acceptable credit rating and maximum allowable exposure to any single counter-party.

The Corporation's fixed income portfolio is managed through use of prudent standards of diversification and rating quality of issues and issuers. Specific provisions limit the allowable holdings of a single issue and issuer and industry or sector. This is to minimise significant concentration risk associated with the fixed income portfolio.

Credit risk relating to receivables is mitigated by the large number of cedants and their dispersion across the continent. A significant number of the companies from whom receivables are due are equally shareholders of the Group. In addition, the liability for outstanding claims is in respect of insurance contracts with the same counter parties. Receivables are presented at present value net of impairment provision. A periodic evaluation of cedants and retrocessionnaires is carried out to minimise exposure to significant losses from insolvencies. Transaction terms are also strictly monitored to keep balances as current as possible.

b) Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in raising funds to meet commitments associated with reinsurance contracts and other obligations as and when due. The Corporation's investment guidelines prescribe minimum levels of financial assets to be held in cash and cash instruments. Cash instruments include bank deposits with maturities of less than 90 days. In addition, the actively managed portfolios are traded on highly liquid markets and as such can easily supplement the Corporation's liquidity requirement in the event of any shortfall.

The table below analyses the Corporation's key financial assets and liabilities into relevant maturity groupings based on the remaining period at 31 December 2018 to the earlier of the repricing or contractual maturity date.

27 Financial risk management (Continued)

	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
At 31 December 2018 (IN US$'000) FINANCIAL ASSETS							
Cash and cash equivalents	338,512	-	-	-	-	-	**338,512**
Reinsurance premiums receivables	69,427	53,983	39,609	18,836	4,964	-	**186,819**
Claims recoverable	13,307	39,731	17,818	13,926	1,456	7,449	**93,687**
Deferred retrocession premiums	20,607	434	10	4	76	14	**21,145**
	441,853	**94,148**	**57,437**	**32,766**	**6,496**	**7,463**	**640,163**
Investments							
Bank deposits	147,036	-	-	-	-	-	**147,036**
Deposits with ceding companies	11,747	36,175	8,832	9,879	7,830	60,602	**135,065**
Fixed rate securities at fair value	33,980	12,924	15,856	11,591	9,832	40,077	**124,260**
Fixed rate securities at amortized cost	11,417	13,387	44,644	22,639	27,639	114,838	**234,287**
Floating rate securities at cost	19,988	21,377	-	612	-	25,329	**67,306**
Equity investments at fair value	69,416	-	-	-	-	-	**69,416**
Redeemable notes	-	-	-	-	-	-	**-**
Unquoted equity investments at fair value	-	-	-	-	-	49,239	**49,239**
Total investments	**293,584**	**83,863**	**69,332**	**44,721**	**45,024**	**290,085**	**826,609**
Total assets	**735,437**	**178,011**	**126,769**	**77,487**	**51,520**	**297,548**	**1,466,772**
FINANCIAL LIABILITIES							
Reinsurance payables	43,360	28,611	15,751	(11,627)	5,754		**81,849**
Outstanding claims	153,962	104,025	91,695	44,440	16,258	-	**410,380**
Total liabilities	**197,322**	**132,636**	**107,446**	**32,813**	**22,012**	**-**	**492,229**

27 Financial risk management (Continued)

	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
At 31 December 2017 (IN US$'000) FINANCIAL ASSETS							
Cash and cash equivalents	285,601	-	-	-	-	-	**285,601**
Reinsurance premiums receivables	81,877	55,929	33,937	20,976	15,111		**207,830**
Claims recoverable	16,263	21,605	19,770	1,397	1,604	15,261	**75,900**
Deferred retrocession premiums	23,401	1,146	82	18	11	8	**24,666**
	407,142	**78,680**	**53,789**	**22,391**	**16,726**	**15,269**	**593,997**
Investments							
Bank deposits	177,408	-	-	-	-	-	**177,408**
Deposits with ceding companies	15,349	20,778	12,321	10,941	7,124	60,544	**127,057**
Fixed rate securities at fair value	29,856	14,067	11,859	12,565	12,000	85,730	**166,077**
Fixed rate securities at amortized cost	11,453	4,881	17,058	31,681	18,379	85,980	**169,432**
Floating rate securities at cost	6,186	19,919	20,655	-	611	-	**47,371**
Equity investments at fair value	142,244	-	-	-	-	-	**142,244**
Redeemable notes	1,397	-	-	-	-	-	**1,397**
Unquoted equity investments at fair value	-	-	-	-	-	39,395	**39,395**
Total investments	**383,893**	**59,645**	**61,893**	**55,187**	**38,114**	**271,649**	**870,381**
Total	**791,035**	**138,325**	**115,682**	**77,578**	**54,840**	**286,918**	**1,464,378**
FINANCIAL LIABILITIES							
Reinsurance payables	43,901	23,930	(2,827)	8,378	(5,109)		**68,273**
Outstanding claims	155,153	124,599	70,539	27,773	22,278	21,376	**421,718**
Total	**199,054**	**148,529**	**67,712**	**36,151**	**17,169**	**21,376**	**489,991**

27 Financial risk management (Continued)

c) Market risk

i) Interest rate risk

The Corporation's exposure to interest rate changes is primarily concentrated in the actively managed fixed income portfolio, which is reported at fair value. Changes in interest rate will have an immediate impact on the Corporation's reported net income and consequently the shareholders' funds. The main objective of the fixed income portfolio is current income and price appreciation and therefore to mitigate the effect of price volatility, the portfolio has been positioned with an average duration of less than 5 years.

Note 4 discloses the weighted average interest rate on principal interest-bearing investments.

ii) Equity price risk

Equity price risk refers to the potential loss in fair value resulting from adverse changes in the fair value of stocks that the Corporation has invested in. The Corporation maintains an actively managed equity portfolio and as such is exposed to stock market price fluctuations. The Corporation does not use any derivatives to manage this risk but rather uses the mechanism of diversification in all forms, including limits on single stock, industry and sector allocation and geographical distribution among others. The investment guidelines provide a cap on the total financial assets to be held in equities.

iii) Currency risk

The Corporation maintains assets and liabilities in several currencies and thus is exposed to the risk of exchange rate movements associated with assets and liabilities matching. The Corporation does not apply hedging techniques to mitigate its currency risk but ensures the net exposure to this risk is within acceptable levels by constantly reviewing the level of mismatch. The Corporation has offices in seven locations whose currencies, in addition to its unit of account, represent approximately 95% of its business volumes. The assets and liabilities in these currencies are matched to the level desired by the group.

The Corporation transacts business with counterparties in a number of countries and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the euro, South African rand, Kenyan shilling and Nigerian naira. However, the Corporation's primary exposure is to the South African rand. Foreign exchange risk arises from reinsurance transactions recorded in local currencies, investments in non-reporting currencies and recognised assets and liabilities in foreign operations.

The tables on pages 82 and 83 show the various currencies in which the group's assets and liabilities were denominated as at 31 December 2018 and 2017. The non-US dollar balances reflect the significant foreign currency exposures.

27 Financial risk management (Continued)

Currency risk (continued)

At 31 December 2018: (in US$'000)	USD	SA Rand	UK P	CFA/EUR	MAD	EGP	NGN	KES	MUR	OTHERS	TOTAL
ASSETS											
Cash and cash equivalents	142,696	42,127	9,162	41,498	5,137	10,124	20,249	5,990	4,183	57,346	**338,512**
Reinsurance receivables	42,538	7,439	1,556	22,659	17,037	5,424	8,854	21,157	4,731	55,424	**186,819**
Claims recoverable	50,635	82	11	38,963	497	140	478	18	23	2,840	**93,687**
Deferred retrocession premium	14,703	111	-	4,035	23	136	68	42	24	2,003	**21,145**
	250,572	**49,759**	**10,729**	**107,155**	**22,694**	**15,824**	**29,649**	**27,207**	**8,961**	**117,613**	**640,163**
Investments:											
Bank deposits	41,119	60,698	1,283	5,239	-	-	2,079	-	-	36,618	**147,036**
Deposits with ceding companies	17,217	335	566	52,414	29,323	4,586	6	299	(187)	30,506	**135,065**
Fixed rate securities at fair value	81,614	26,197	-	-	-	-	12,653	3,796	-	-	**124,260**
Fixed rate securities at amortised cost	191,002	28,529	3,247	11,509	-	-	-	-	-	-	**234,287**
Floating rate securities at cost	66,987	-	319	-	-	-	-	-	-	-	**67,306**
Equity investments at fair value	41,758	9,427	-	15,303	-	-	2,316	612	-	-	**69,416**
Redeemable note	-	-	-	-	-		-		-	-	**-**
Unquoted equity investments at fair value	46,922	-		1,027	-	-	1,290	-	-	-	**49,239**
Total Investments	**486,619**	**125,186**	**5,415**	**85,492**	**29,323**	**4,586**	**18,344**	**4,707**	**(187)**	**67,124**	**826,609**
Total Assets	**737,191**	**174,945**	**16,144**	**192,647**	**52,017**	**20,410**	**47,993**	**31,914**	**8,774**	**184,737**	**1,466,772**
LIABILITIES											
Reinsurance payables	26,859	7,160	(1,745)	21,867	(6,492)	522	(1,024)	2,628	(44)	32,118	**81,849**
Outstanding claims	121,603	102,726	2,540	74,751	40,200	7,609	10,448	23,147	8,519	18,837	**410,380**
Total liabilities	**148,462**	**109,886**	**795**	**96,618**	**33,708**	**8,131**	**9,424**	**25,775**	**8,475**	**50,955**	**492,229**
NET POSITION	**588,729**	**65,059**	**15,349**	**96,029**	**18,309**	**12,279**	**38,569**	**6,139**	**299**	**133,782**	**974,543**

Key to currency abbreviations;

USD - United States Dollar; Rand - South African Rand; UK Pounds - United Kingdom Pound; CFA - CFA Franc; EUR – Euro;
MAD - Moroccan Dirham; EGP - Egyptian Pound; NGN - Nigerian Naira; KES - Kenyan Shilling; MUR - Mauritius Rupee

27 Financial risk management (Continued)

Currency risk (continued)

At 31 December 2017: (in US$'000)	USD	SA Rand	UK P	CFA/EUR	MAD	EGP	NGN	KES	MUR	OTHERS	TOTAL
ASSETS											
Cash and cash equivalents	145,066	3,550	6,846	24,000	15,296	6,817	18,174	19,220	2,322	44,310	**285,601**
Reinsurance receivables	56,820	18,226	1,802	31,820	17,978	4,074	8,186	18,685	3,925	46,314	**207,830**
Claims recoverable	69,958	42	29	3,201	549	104	457	61	32	1,467	**75,900**
Deferred retrocession premium	14,274	-	3	6,767	32	140	140	119	11	3,180	**24,666**
	286,118	**21,818**	**8,680**	**65,788**	**33,855**	**11,135**	**26,957**	**38,085**	**6,290**	**95,271**	**593,997**
Investments:											
Bank deposits	66,194	92,913	4,596	761	-	1,589	2,085	-	303	8,967	**177,408**
Deposits with ceding companies	15,764	343	538	48,543	28,144	2,991	6	295	(176)	30,609	**127,057**
Fixed rate securities at fair value	91,104	47,571	3,706	9,071	-	-	11,312	3,313	-	-	**166,077**
Fixed rate securities at amortised cost	152,413	11,414	-	4,479	-	-	-	1,126	-	-	**169,432**
Floating rate securities at cost	47,032	-	339	-	-	-	-	-	-	-	**47,371**
Redeemable notes	69,350	48,869	-	18,339	-	-	3,045	2,641	-	-	**142,244**
Equity investments at fair value	265	-	-	1,132	-	-	-	-	-	-	**1,397**
Unquoted equity investments at fair value	39,395	-	-	-	-	-	-	-	-	-	**39,395**
Total Investments	**481,517**	**201,110**	**9,179**	**82,325**	**28,144**	**4,580**	**16,448**	**7,375**	**127**	**39,576**	**870,381**
Total Assets	**767,635**	**222,928**	**17,859**	**148,113**	**61,999**	**15,715**	**43,405**	**45,460**	**6,417**	**134,847**	**1,464,378**
LIABILITIES											
Reinsurance payables	19,536	3,798	(1,157)	26,245	(6,659)	375	(1,243)	2,582	8	24,788	**68,273**
Outstanding claims	170,734	121,526	2,413	39,057	35,668	9,341	8,425	24,488	6,163	3,903	**421,718**
Total liabilities	**190,270**	**125,324**	**1,256**	**65,302**	**29,009**	**9,716**	**7,182**	**27,070**	**6,171**	**28,691**	**489,991**
NET POSITION	**577,365**	**97,604**	**16,603**	**82,811**	**32,990**	**5,999**	**36,223**	**18,390**	**246**	**106,156**	**974,387**

Key to currency abbreviations;

USD - United States Dollar; Rand - South African Rand; UK Pounds - United Kingdom Pound; CFA - CFA Franc; EUR – Euro;
MAD - Moroccan Dirham; EGP - Egyptian Pound; NGN - Nigerian Naira; KES - Kenyan Shilling; MUR - Mauritius Rupee

28 Investments in subsidiary companies

Details of the Group's material subsidiaries at the end of the reporting period are as follows.

	Principal Activity	Share capital US$ '000	Holding	2018 US$ '000	2017 US$ '000
African Reinsurance Corporation (South Africa) Limited	Reinsurance services	*	100%		*
African Takaful Reinsurance Company	Reinsurance services	12,000	100%		*
Sherborne Number Ten Parktown Investments Proprietary (South Africa) Limited	Property holding	*	100%		*
					*

** Less than US$ 1,000 (African Reinsurance Corporation (South Africa) limited – 7 ordinary shares of 0.01 rand; Sherborne Number Ten Parktown Investments Proprietary (South Africa) Limited – 40,000 ordinary shares of 0.10 Rand)*

African Reinsurance Corporation (South Africa) Limited has its financial year end on 31 December, African Takaful Reinsurance Company on 30 June and Sherborne Number Ten Parktown Investments Proprietary (South Africa) Limited on 31 August.

African Reinsurance Corporation (South Africa) Limited

African Reinsurance Corporation (South Africa) Limited was incorporated on 9 January 2004. The principal activity of the company is provision of reinsurance services to the countries of the rand zone as well as Mozambique, Botswana and Angola. It made a loss of US $ 5,919,896 during the year ended 31 December 2018 (2017 – Profit of US$ 3,283,982). The relevant activities of African Reinsurance Corporation (South Africa) Limited are determined by its board of directors based on simple majority votes where each share carries one vote.

Therefore, the conclusion of the directors of the Group is that the Group has control over African Reinsurance Corporation (South Africa) Limited and the financial information of African Reinsurance Corporation (South Africa) Limited is consolidated in these financial statements

Set out below is the summarised financial information for the subsidiary.

African Reinsurance Corporation (South Africa) Limited

Summarised statement of financial position	2018 US $'000	2017 US $'000
Total assets	298,760	361,658
Total liabilities	(247,691)	(299,712)
Net assets	51,069	61,946

Summarised statement of profit or loss and other comprehensive income

Net earned premium	58,975	58,471
(Loss)/Profit before income tax	(6,656)	2,616
Deferred tax credit/Income tax expense	737	668
Other comprehensive income	-	-
Total comprehensive (loss)/ income	(5,919)	3,284

Summarised statement of cash flows

Net cash (used in)/generated from operating activities	(19,118)	91
Net cash generated from/(used in) investing activities	16,258	3,722
Net (decrease)/increase in cash and cash equivalents	(2,860)	3,813
Net (loss)/gain on liquid assets	(556)	9
Cash and cash equivalents at beginning of year	3,901	79
Cash and cash equivalents at end of year	485	3,901

African Takaful Reinsurance Company

African Takaful Reinsurance Company was incorporated on 1 September 2010. The principal activity of the company is provision of reinsurance products which are fully sharia compliant. The company made a profit of US$ 3,956,145 during the year ended 31 December 2018 (December 2017 – US $ 7,175,167). The relevant activities of African Takaful Reinsurance Company are determined by its board of directors based on simple majority votes where each share carries one vote.

Therefore, the conclusion of directors of the Group is that the Group has control over African Takaful Reinsurance Company and the financial information of African Takaful Reinsurance Company is consolidated in these financial statements.

Set out below is the summarised financial information for the subsidiary.

African Takaful Reinsurance Company Limited (Continued)

Summarised statement of financial position	2018 US $'000	2017 US $'000
Total assets	80,268	66,642
Total liabilities	(84,645)	(63,564)
Net assets	(4,377)	3,078
Summarised statement of profit or loss and other comprehensive income		
Net earned premium	46,966	33,436
Profit before income tax	3,956	7,175
Other comprehensive income	-	-
Total comprehensive income	3,956	7,175
Summarised statement of cash flows		
Net cash generated from operating activities	7,613	2,382
Net cash from investing activities	2,416	1,685
Net cash generated from financing activities	-	-
Net increase in cash and cash equivalents	10,029	4,067
Net (loss)/gain on liquid assets	(4,810)	(1,193)
Cash and cash equivalents at beginning of year	38,204	35,330
Cash and cash equivalents at end of year	43,423	38,204

Sherborne Number Ten Parktown Investments Proprietary (South Africa) Limited

Sherborne Number Ten Parktown Investments Proprietary (South Africa) Limited was purchased by African Reinsurance Corporation in October 2012. The principal activity of the company is property holding. The company made a profit of US $ 86,147 during the year ended 31 December 2018 (2017 – US $ 91,181). The relevant activities of Sherborne Number Ten Parktown Investments Proprietary (South Africa) Limited are determined by its board of directors based on simple majority votes where each share carries one vote.

Therefore, the conclusion of the directors of the Group is that the Group has control over Sherborne Number Ten Parktown Investments Proprietary (South Africa) Limited and therefore, the financial information of Sherborne Number Ten Parktown Investments Proprietary (South Africa) Limited is consolidated in these financial statements.

Set out below is the summarised financial information for the subsidiary.

Sherborne Number Ten Parktown Investments Proprietary (South Africa) Limited (Continued)

Summarised statement of financial position	2018 US $'000	2017 US $'000
Total assets	3,039	2,912
Total liabilities	(244)	(234)
Net assets	2,795	2,678

Summarised statement of profit and loss and other comprehensive income

Net Income	172	177
Profit before income tax	127	132
Income tax (expense)/credit	(41)	(41)
Other comprehensive income	-	-
Total comprehensive income	86	91

Summarised statement of cash flows

Net cash generated (used in)/from operating activities	-	-
Net cash used in from investing activities	-	-
Net cash generated from financing activities	-	-
Net increase in cash and cash equivalents	-	-
Net (loss) on liquid assets	-	-
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at end of year	-	-

29 Contingent liabilities

There are no material contingent liabilities in respect of pending litigations involving the Corporation for which no provisions have been made in these financial statements.

30 Operating lease Commitments

Operating lease payables

The Corporation leases offices for it's Mauritius, Sudan, Abidjan, Uganda and Ethiopia Offices. The future minimum lease payments under non-cancellable operating leases are as follows:

	2018 US$'000	2017 US$'000
Not later than 1 year	209	207
Later than 1 year and not later than 5 years	137	103
	346	**310**

Operating lease receivables

At the end of the reporting period, the lettable portion of the Corporation's headquarters building in Lagos as well as regional office buildings in Nairobi and Casablanca had been contracted with tenants for the following future lease receivables:

	2018 US$'000	2017 US$'000
Not later than 1 year	1,241	1,049
Later than 1 year and not later than 5 years	1,454	1,148
	2,695	**2,197**

31 Capital management

The Corporation is not subject to any externally imposed capital requirements. However, the Corporation will continue to actively grow its available capital to meet rating agencies' requirements for its target rating as well as achieve a comfortable internally determined capital adequacy ratio (available capital divided by required risk adjusted capital).

The Corporation's objectives in managing its capital are:

- To match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- To maintain financial strength to support new business growth;
- To satisfy the requirements of its reinsured and rating agencies;
- To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets;
- To safeguard the corporation's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

The Corporation has a number of sources of capital available to it and seeks to optimise its retention capacity in order to ensure that it can consistently maximise returns to shareholders. The Corporation considers not only the traditional sources of capital funding but the alternative sources of capital including retrocession, as appropriate, when assessing its deployment and usage of capital. The Corporation manages as capital all items that are eligible to be treated as capital.

The constitution of capital managed by the corporation is as shown below:

	2018 US$'000	2017 US$'000
Share capital	285,140	285,140
Share premium	214,469	156,354
Other reserves	209,291	243,566
Retained earnings	208,147	216,979
Total capital – equity	**917,047**	**902,039**

Appendix

Consolidated statement of profit or loss by class of business

	Fire and accident US$'000	Marine and aviation US$'000	Life US$'000	Total 2018 US$'000	Total 2017 US$'000
Underwriting income:					
Gross written premium	638,077	107,332	52,006	797,415	746,829
Gross earned premium	633,120	106,893	53,143	793,156	718,814
Retrocession premium	(67,453)	(48,131)	(4,018)	(119,602)	(111,918)
Net earned premium	**565,667**	**58,762**	**49,125**	**673,554**	**606,896**
Commissions & charges earned under retrocession arrangements	**13,889**	**6,749**	**229**	**20,867**	**18,323**
Gross claims paid	**(378,631)**	**(48,231)**	**(28,410)**	**(455,272)**	**(367,642)**
Gross claims incurred	(395,918)	(38,875)	(26,299)	(461,092)	(422,259)
Less retrocessionaires' share	43,710	5,837	228	49,775	55,637
Net claims incurred	**(352,208)**	**(33,038)**	**(26,071)**	**(411,317)**	**(366,622)**
Acquisition expense	(180,584)	(24,427)	(12,435)	(217,446)	(185,246)
Management expenses	(35,342)	(6,427)	(3,193)	(44,962)	(42,229)
Underwriting profit	**11,422**	**1,619**	**7,655**	**20,696**	**31,122**
Net investment and other income				24,865	62,798
Net foreign exchange (loss) /gain				(14,988)	(6,565)
Profit before income tax				**30,573**	**87,355**
Taxation credit/(charge)				696	627
Profit for the year				**31,269**	**87,982**

Notes