

AFRICAN REINSURANCE CORPORATION
GENERAL ASSEMBLY
31ST ANNUAL ORDINARY MEETING
ABUJA, NIGERIA, 25TH JUNE 2009

AFRICARE/GA/33/223



AFRICAN REINSURANCE CORPORATION
SOCIÉTÉ AFRICAINE DE REASSURANCE
(AFRICA RE)

Honourable Representatives
General Assembly
African Reinsurance Corporation

Date: 25th June 2009

Your Excellencies,

In accordance with the provisions of Articles 14 and 37 of the Agreement Establishing the African Reinsurance Corporation and Article 8 of the General Regulations of the Corporation, I have the honour, on behalf of the Board of Directors, to submit to you the Annual Report and Audited Accounts of the Corporation for the period from 1st January to 31st December, 2008.

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

MUSA S. AL NAAS

Chairman of the Board of Directors and General Assembly



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Composition of Africa Re Board of Directors



Mrs. E. MBOGO
Vice-Chairman



Mr. M. Al NAAS
Chairman



Mr. A. MOUNIR



Mrs. N. KYIAMAH



Mr. B. TÜMMERS



Mr. T. EL-BARKI



Mr. M. M. DKHILI



Mr. M. KAMEL



Mr. E. ENGOLO



Mr. F. DANIEL



Mr. H. ASSAH

ALTERNATE DIRECTORS

Mr. Fathi BALA, Mr. Israel KAMUZURA, Mr. Ali AL-ASHRY, Mr. Basiru NJAI, Mr. Meraghni KAMEL, Mr. Paul T. TSALA, Mr. Thami YAHYAOU, Mr. Mamadou SARR, Mr. Bala ZAKARIYAU, Mr. Abubacar A. JIMOH.



Chairman's Statement

African Reinsurance Corporation

The 31st Annual Report of the Board of Directors presents the Corporation's consolidated financial statements for 2008, including the balance sheet as at 31st December and the income statement for the year then ended. It also includes a review of the Corporation's operating environment and the report of the External Auditors to the shareholders.

Gross written premium for the year grew by 8.53% to US\$401.04 million compared to US\$369.51 million in 2007. The performance is broadly in line with the projected annual growth. Gross earned premium, after adjusting for the movement in unearned premium provision stood at US\$393.46 million compared to US\$366.40 million in 2007.

Premium ceded to retrocessionnaires during the year totaled US\$35.86 million as against US\$33.80 million last year. There has not been any change in the Corporation's retrocession policy as it continued to rely more on XL cover for all the regular risks assumed and supplemented by special covers in respect of the major oil and petrochemical risks accepted.

2008 witnessed a significant increase in the frequency and severity of major risk losses. It was reported that the total dollar amount of major risk losses in 2008 exceeded the combined total of 2007 and 2006. Africa Re as a player in the market is not immuned from this experience as total claims paid increased by 22.21% to US\$195.62 million from US\$160.07 million in 2007, resulting in a paid loss ratio of 48.78% (2007:43.32%). A total amount of US\$5.92 million (2007: US\$2.44 million) was recovered from retrocessionnaires, out of which US\$1.04 million was from the group XL programme.

Management expenses for the year amounted to US\$17.39 million compared to US\$16.44 million in 2007, an increase of 5.76%. The increase was driven by additional cost of doing business, especially at the Head office where heavy reliance is now placed on alternative supply of utilities to complement



Mr. M. Al Naas
Chairman

government controlled sources. In terms of budget performance, a savings of 9.40% was made.

The Corporation posted a net underwriting profit of US\$1.67 million for the year compared to US\$7.17million in 2007.

Income from investment and other sources, including interest on reinsurance deposits amounted to US\$17.65 million compared to US\$29.04 million reported in the previous period.

The decrease over prior year

performance was mainly due to the unprecedented credit and liquidity crises in the global markets as broad market indices crumbled to their lowest levels ever, in response to heightened risk caused by bank failures.

The cumulative translation adjustment, which is being accounted for as a separate component of the shareholders' funds, recorded an unrealised loss of US\$31.27 million (2007: US\$14.95 million gain), as a result of the continuing weakness of the Corporation's major operating currencies (South African Rand 35.27%, Kenya Shillings 22.57%, Nigerian Naira 18.49% and Mauritius Rupee 12.79%) against the U.S. Dollar. As in the prior years, a total amount of US\$8.31 million (2007: US\$9.07 million) was transferred to technical provision. Consequently, shareholders' funds as at 31st December, 2008 stood at US\$223.72 million (2007: US\$230.80 million), representing a decrease of 3.07%.

2008 was a year of enormous challenges for professional insurers and reinsurers. Indeed, while the financial crisis dealt a harsh blow on all sectors of the economy, industrialised as well as emerging and developing countries, natural catastrophes (cyclones, snow storms, earthquakes) and man-made disasters caused damages worth USD 225 billion, out of which USD 50 billion involved insured losses.

However, the losses recorded by insurance companies were caused by the downturn in the stock markets rather than indiscriminate underwriting. The tumult which has been sweeping



across the world's financial markets for about a year now resulted in losses amounting to more than USD 25,000 billion. Although directly caused by the 2007 sub-prime crisis, it has now been established that these upheavals can be traced to the different events that occurred in the last two decades, namely, the 1987 implosion in the world stock markets, the record losses of 1992, the "dot com bubble" explosion of 1997 and the financial crisis of 2002.

The year 2008 began with a sharp increase in the prices of raw materials (oil, wheat, other cereals and mineral ores) but which also dropped abruptly during the second half of the year. Although this incident had positive outcomes for non-oil producing countries, the reverse effect was the decrease in the revenue of countries that export commodities (agriculture and mines). In brief, the crisis, which some believed would not affect Africa due to its economic marginalisation, did not spare any region of the world.

The reinsurance industry, which suffered less from the crisis than the direct insurers due to its minimal exposure to sophisticated instruments and other derivative products, all the same lost between 15% and 20% of its shareholders' funds resulting in several downgrades in interactive ratings.

Thus, these events seem to indicate a back-to-the-basics approach to direct underwriting as well as reinsurance. The African Reinsurance Corporation, which has been advocating for systematic supervision of reinsurers, lauds the initiatives of the International Association of Insurance Supervisors (IAIS) aimed at adopting common regulatory standards so that each international player may be supervised by host country authorities.

After close to a decade of phenomenal growth (USD 369.51 million in 2007, compared to USD 70.92 million in 1999), representing an annual average growth rate of 20%, Africa Re's growth slowed down in 2008 (8.53%), and this at a time when the persistent soft cycle in the international reinsurance market was worsening.

Despite the above-mentioned financial crisis and a year characterised by catastrophe losses, the Corporation posted an investment income of USD 16.47 million, technical profits and other revenue of

USD 4.02 million, resulting in a profit before tax of USD 20.49 million. The performance is mainly due to a sound underwriting philosophy and cautious investment policy.

Premium income emanated from the Fire & Engineering class (USD 166.86 million: 41.61%), Motor & Accident (USD 122.35 million: 30.51%), Marine & Aviation (USD 61.91 million: 15.44%), Oil & Energy (USD 37.85 million: 9.44%), and Life (USD 12.07 million: 3.00%). The geographical breakdown reveals a re-balancing of the sources of income as follows: Southern Africa (USD 127.08 million or 31.69% of corporate production as against 44% in 2007), East Africa (USD 52.33 million), Anglophone West Africa (USD 50.71 million), North Africa (USD 46.73 million), North-East Africa (USD 31.28 million), Francophone Africa (USD 27.81 million), the African Indian Ocean islands (USD 10.20 million) and International Business (USD 54.90 million).

The Corporation further strengthened its presence and visibility in 2008 with the reaffirmation of ratings from AM Best (A-) and Standard & Poor's (BBB+), with the latter awarding a "Positive" outlook, indicating a possible upward review in the foreseeable future.

Africa Re, which is considered a forerunner of continental reinsurance, cannot but express satisfaction at this development and reiterate its call to all its African counterparts to submit to interactive rating, which would guarantee an improved image of local reinsurers within the insurance community.

Furthermore, the Oil and Aviation Pools managed by the Corporation recorded substantial results during the year under review thus confirming their relevance as a continental industry initiative. Indeed, thanks to the foresight of the African Insurance Organisation (AIO), these instruments have played a major role in regional insurance cooperation.

Once again, the Board of Directors heartily congratulates the Management and Staff of Africa Re who have been able to translate the aspirations of the Corporation's founding fathers into tangible success.

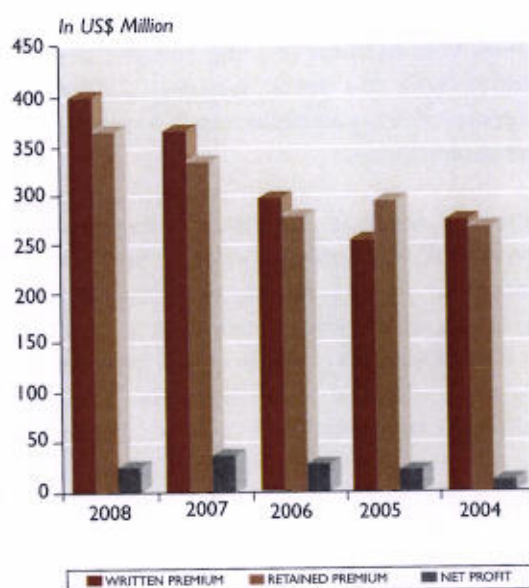


Financial Highlights

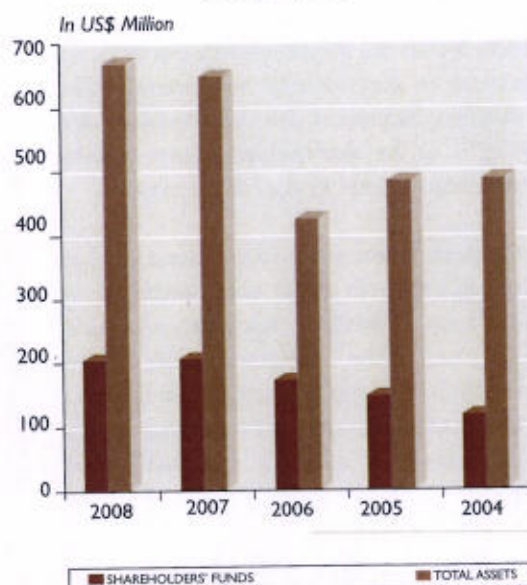
African Reinsurance Corporation

In US\$ '000	2008	2007	2006	2005	2004
RESULTS					
WRITTEN PREMIUM	401,041	369,512	293,491	255,716	277,928
RETAINED PREMIUM	365,176	335,716	258,066	295,506	268,956
EARNED PREMIUM (NET)	357,897	329,686	242,467	279,135	218,973
NET PROFIT	20,406	34,048	24,882	18,836	10,469
FINANCIAL POSITION					
SHAREHOLDERS' FUNDS	223,720	230,802	193,869	168,595	139,487
TOTAL ASSETS	686,857	668,566	549,060	501,106	506,589

**RESULTS
2004-2008**



**FINANCIAL POSITION
2004-2008**



Composition of Africa Re Management Team



Mr. H. M. KUMSA
Deputy Managing Director
Operations



Mr. A. G. Ravooja
Director Central Operations &
Inspection



Mr. M. Kannou
Regional Director
Casablanca



Mr. O. Gouda
Regional Director, Cairo



Mr. K. Aghoghobia
Regional Director, Lagos



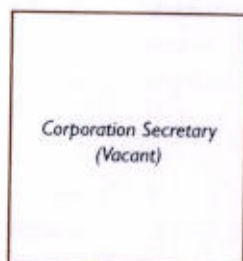
Mr. B. Kamara
Group Managing Director / CEO



Mr. G. O. Otieno
Regional Director
Nairobi



Mr. M. Haidara
Regional Director
Abidjan



Corporation Secretary
(Vacant)



Mr. G. Musa
Deputy Managing Director
Services



Mr. I. Uduma
Director Internal Audit



Ms. E. N. Amadiume
Regional Director
Mauritius



Mr. P. D. Ray
Managing Director
Africa Re (South Africa) Ltd.



Mr. M. Ali-Kote
Director of Administration
and Human Resources



Economic and Trading Environment

African Reinsurance Corporation

Following the mortgage crisis of 2007, the year 2008 witnessed a meltdown of the financial markets, bringing down with it several sectors of the world economy (automobile, air transport, etc.). The magnitude of the crisis was such that emerging economies and those of the other developing countries which some analysts believed would be spared, since they are still on the fringes of globalisation, were adversely affected though to a smaller extent, but in a way that slowed down the growth of their gross domestic product (GDP).

Collapse Of The Global Financial Market

In 2008, stock exchanges in the world lost between 40% and 60% and, sometimes, up to 80% of their market value, amounting to USD 25 trillion. Although the financial crisis originated from the sub-prime mortgage loans of the previous years, the financial crisis could be traced to the excesses in the US credit market, fuelled by weak monetary policies, which made loans affordable and accessible to all, including the financially weak, who often have no credible and proven credit history.

The magnitude of the crisis was partly due to the failure of the banking sector regulators, who not only failed to predict and prevent the crises, but actually erred by their wait-and-see attitude in the early months of the year, a *laissez-faire* attitude of triumphant free-market forces and an all-powerful capitalism displayed since the fall of the Berlin wall.

The failure of one of the oldest and most reputable banks heightened market distortion and credit crunch, as banks refused to lend to each other for fear of not being able to recover their funds later, thus causing a spike in interest rates. With the dwindling inter-bank confidence, the economy ran out of steam resulting in the failure of several fragile companies especially the heavily indebted small and medium enterprises (SME).

Furthermore, North America and Europe, as well as the emerging countries known as BRIC (Brazil, Russia, India and China) were forced to inject hundreds of billions of US dollars into the financial

markets through their central banks in order to save financial institutions and then provide lifelines to other economic players.

Indeed, the reduction in the cost of borrowing stimulated household consumption in America and had a ripple effect on the real economy, (automobile industry, consumer goods, housing etc...). At the same time, easy credit gave creative financial experts an opportunity to demonstrate their ingenuity by putting into the market products that were not backed by any tangible asset or production. This era was characterised by strong liquidity from the oil monarchies of the Gulf region and the windfall from China's trade surpluses. Thus, securitisation increased while other innovative products with nothing more than speculative value were introduced into the market, and which consisted, for instance in betting on the ability or inability of mostly developing countries to honour their debts.

Durably affected, the fundamentals of world macro economics tend to suggest an average reduction to 0.30% in GDP growth in 2009, having dropped from 5% in 2007 to 3.7% in 2008. Several analysts predicted that Western Europe and the United States of America would go into recession while China's growth would range between 5% and 6%, after it had reached 11% at the beginning of 2008, despite oil shocks early in the year. The volatility in the price of crude oil (rising from USD 100 at the early part of the year to USD 147 in July only to plummet to about USD 45 by December 2008) adversely affected other raw materials such as wheat (-60%) and copper (-69%). Although the 2004-2008 astounding hike in prices was as a result of lack of fresh investments in agriculture, mines and oil wells during the last half of the century, the sharp decline was also partly due to the good wheat harvest in 2008 and in particular the rapid withdrawal of speculative funds from those sectors. The lack of practicability and clarity in government agricultural policies and cost of raw materials, which could triple within a few years, discouraged the massive investments (USD 10bn), needed to stabilise prices and production. Thus,



the deterioration in trade terms became topical and required action from the governments of both developed and emerging countries, multilateral development agencies as well as professionals in every sector.

Although producing countries suffered from the drop in the barrel price of oil, household consumption was preserved by the reduction in the prices of agricultural products. The reverse was the case for non-producing countries. This paradoxical situation was beneficial and at the same time detrimental to countries of the world. As a result, after the year opened with high inflation, one of the consequences of the implosion in the American banking system was the sharp decline in the cost of raw materials. Threats of deflation increased by the end of the year, leading to fears of a recession that could affect the major economies, if not the whole world.

Subsequently, in a bid to revive production, world leaders pledged to mobilize some USD 3.0 trillion. This measure should finance economic bailout plans by way of huge infrastructural projects – in other words, a return to the Keynesian panacea. Therefore, Africa, which also has huge infrastructure needs despite its modest resources, should not be left out.

Sustaining Africa's Economic Development

The drop in the prices of raw materials is not the only impediment to sustained economic growth in the continent. Of significance also is the reduction in Foreign Direct Investment – FDI (USD 413bn in 2006, USD 500bn in 2007 and close to USD 350bn only in 2008): these sums were repatriated to investors' home countries, mainly because of the low prices of oil and other minerals – the sectors in which they invested the bulk of their funds.

Similarly, the economic slowdown in developed countries, which also has resulted in unemployment, first of all affects unskilled labour, including legions of immigrant workers who transfer about USD

160 billion (world figures) to their countries of origin, USD 20 billion of which are sent to Africa and represent more than Official Development Assistance (ODA), which remains the 3rd source of financing for local economies.

Does this mean that 2008 was the last year of the sustained economic growth acclaimed by all on the continent?

Undoubtedly, growth did not attain the 6.7% recorded in 2007, but all the same it stood at an acceptable level of 5.9% in 2008, despite a continuously growing population and a high poverty level, which affects half of Africa's one billion people.

Although the growth rate in oil-producing countries is at least 9% and stands at 5.7% for other countries that import oil, it is comforting to note that one out of every three countries recorded a GDP growth above 6%. Whereas the above-mentioned ratios do not indicate progress towards the achievement of the Millennium Development Goals (MDG) by 2015, especially in terms of poverty reduction, the issue still remains to know if the financial crisis that is shaking the world is not likely to have a more pronounced effect on these objectives. Indeed, the continent accounts for only 3% of world trade, and its banking sector is even less integrated into the mainstream of global finance. However, the shock in the stock exchanges of Johannesburg, Lagos and Cairo proves that no region in the world shall be completely shielded from this ordeal. While the deterioration in the terms of trade may reduce cash crop exports, the drop in the prices of food could alleviate the social tensions that manifested at the beginning of the year through strikes and other civil uprisings in several countries.

Furthermore, even though Africa has been hit by the financial crisis, the continent could still represent a better attraction for investors, as in spite of everything it remains a better risk than other regions of the world that are supposed to be more politically stable, but in great economic difficulty.



Economic and Trading Environment

African Reinsurance Corporation

Assessed individually, African economies do not share the same fortunes. Thus, South Africa, which is by far the biggest economy and the main source of reinsurance premium for the Corporation, faced serious shortages in electricity supply, recorded high inflation (13%), while its currency (the Rand) depreciated drastically by 30%. For the first time in a decade, this country's budget posted a deficit of 1.6%. Thus, analysts are expecting a 3.7% growth in 2008 and 3% in 2009, instead of the 5% average recorded in previous years.

Nigeria, which has henceforth become the second oil-producing country after Angola due to the political instability in the Niger Delta region, still derives about 95% of its foreign exchange earnings, 80% of budgetary revenues and 20% of GDP from this source, which explains the drop in its revenue. With a population of about 150 million and inflation rate of 11%, this country's wealth creation may not exceed 6% in 2008 as against 6.3% in 2007.

Algeria, another OPEC country has foreign reserves of close to USD 160 billion, with highly increasing balance of payments following improved tax revenue, even though debt servicing has reduced. However, despite such good performance, the country's GDP only grew by 3.3% in 2008, compared to 5.8% in 2007.

Libya's growth stood at 6.8% although the 2009 forecast was reviewed downwards to 5% due to the drop in barrel price of oil, while Morocco, owing to better agricultural production and increased Foreign Direct Investment (USD 5 billion), has leaped by close to 4 percent (6.12% as against 2.3% in 2007). Tunisia consolidated on its average macroeconomic performance of the previous decade (GDP: +5%, Exports: +25%, including mainly information technology: +23.4%).

In East Africa, Kenya, which has suffered from global developments induced by hikes in food and oil products (+25%), further aggravated by

election crisis, could only achieve a GDP growth of 3.9%, against 6.9% in 2007, as its trade balance has dropped by USD 4 billion, whereas in Tanzania, inflation increased to 12% and the GDP initially estimated to grow by 7.8%, has not achieved the target. Growth in the other economies of the sub-region, despite their modest sizes, stood at 6.5% for Uganda, more than 10% in Sudan, close to 5.3% for Rwanda, more than 7.5% in Ethiopia (11.1% in 2007). In the latter country, production is mainly based on agriculture (42% of GDP), which is supported by construction projects that are financed by transfers from the diaspora. However, inflation (30%), which still constitutes a main concern, is due to the increase in global price of agricultural products and the chronic food shortage in the Ogaden Region that has been embroiled in armed conflict for several years.

The prospect of an end to the civil war in Côte d'Ivoire has paved the way for a rapid recovery of growth, which was negative from 2000 to 2006, but turned around in 2007 (+1.8%) and was sustained in 2008 (2.9%). In the Western sub-region, Cape Verde (6.9% - which from this year is counted among the middle-income countries), Mali (5%), Ghana (6%) and the Gambia (6.5%) rank among the most productive economies.

Some Central African countries, namely Gabon (7%), Equatorial Guinea (12.5%) and Sao Tome and Principe (6%) on account of their oil revenue, stand out from the group just like Angola, a country situated in between the central and southern sub-regions, which doubles its GDP every three years (16% in 2008 as against 23.4% in 2007).

Mauritius (4.5%) and Madagascar (7%), the two major economies of the African Indian Ocean islands are doing well despite an international economic climate characterized by a decline in textile production and top quality tourism; the latter factor weighed down growth in Seychelles.



Egypt, a link between Africa and the Middle East, experienced a drop in both its economic growth (+5.8% in 2008 as against 7.1% in 2007) and in inflation. Its oil revenue of USD 5 billion dropped as the barrel price of oil also fell, while the financial crisis explains the drop in tourism and transfers from expatriate Egyptians, and piracy threats at the entrance of the Gulf of Aden reduced the movement of merchant ships in the Suez Canal, which is a substantial source of revenue for this country (USD 3.5 billion).

The Gulf countries which seemed to benefit from the hike in the barrel price of oil at the beginning of the year, suffered significant consequences after the sharp drop in the second half of the year, just as they were not spared from the global financial crisis, since they are interdependently linked to the Western economy.

All the same, the cushioning effect of petrodollars accumulated over the years and the ever-growing practice of Islamic finance remain an important lifeline.

The Financial Crisis And The Interational Reinsurance Industry: The End Of The Soft Cycle Or Profound Changes To Underwriting Techniques?

While 2007 was yet another year (third and even fourth for some) of consecutively positive results, the period under review was characterized by major losses in both underwriting and investments.

Natural catastrophes and major losses arising from human activity cost the world economy some USD 225 billion out of which USD 50 billion involved insured property. From the Myanmar cyclones, Sichuan (China) earthquake, the hurricanes that hit the Caribbean islands to hurricanes Ike and Gustav of the southern part of the United States and the snow storms of Europe (Emma), these were

all costly events: more than 220,000 deaths, 10 million persons displaced, and huge material losses. According to Swiss Re's journal – SIGMA, man-made insured losses alone rose to more than USD 7 billion (fire, explosions, business interruption etc.)

Together, these events made 2008 the most loss-prone year – after 2005 – in the recent history of world insurance (since 1970), and would have a definite impact during the review of company ratings, as well as on reinsurers' capital needs. Added to this are the direct or indirect negative consequences of the financial crisis. Although in public opinion, the case of the world leading insurer is the most well known, the cases of other players who had each accumulated significant losses on the major financial markets are another reason for the drop in net income.

Thus, several analysts concluded that the shareholders' funds of reinsurance companies dropped by between 15% and 20% as at 31st December 2008. In fact, this loss is largely (90%) attributable to catastrophe losses. Had it not been for the positive results of the previous profitable years (2006 & 2007), the liquidity and credit crisis would have had a devastating impact on the financial strength of reinsurers. In fact, during the first half of 2008, several reinsurers thought that they had enough financial cushion to go ahead and buy back shares since additional capital was no longer necessary because of the soft cycle and that such funds could turn out to be idle.

However, while the financial crisis extended to more complex derivative products to which reinsurers had little exposure compared to direct insurers, reinsurance companies acquired more and more company bonds and other simpler instruments. Actually, the impact of the credit and liquidity crisis was higher for direct insurers, who lost 25% - 30% of their capital and were forced to



Economic and Trading Environment

African Reinsurance Corporation

resort to reinsurance protection more than before. In those African countries where financial markets are more elaborate and similar to global practices, some insurers saw the value of their own shares drop while simultaneously they were recording losses in their financial investments. Thus, the drop in stock prices could most pertinently explain the losses declared in 2008.

Rating agencies, which themselves came under severe criticism from both governments and the press, reacted promptly. As a result, several companies had their ratings lowered, others were put on credit watch (negative outlook), their financial operations were analysed more strictly, and only few were considered as being financially sound.

As the outlook of the international insurance industry was reviewed downwards (negative), except for the reinsurance sector, where it remained stable, several companies may likely be downgraded again in 2010. This analysis portends a "back-to-the-basics" approach to underwriting, as a prelude to a hard cycle from 2009 or 2010 at the latest, since the current financial crisis could persist for these two years, making access to capital more costly and introducing a more systematic recourse to reinsurance. Thus, in addition to pure premium, the cost of invested capital would increase the rates of fire, marine and energy covers.

Though not at the centre of globalization, the African insurance industry would also bear the consequences of the crisis, which is predicted to affect the sector globally. Conscious of its purpose and function, the African Reinsurance Corporation has always maintained a responsible and cautious approach in its underwriting practices and investment policy.

Therefore, the Corporation strongly favours a global and uniform supervision of reinsurance companies as recommended by the International Insurance Supervisory Authorities in the draft guideline on the mutual recognition of reinsurance supervision. Thus, the weaknesses, uncertainties and inconsistencies caused by the multiplicity and diversity of control mechanisms would reduce, while complementing interactive rating. In that regard, it is important to note that after several years of evaluations, Standard & Poor's, while confirming the Corporation's rating as BBB+, decided to upgrade its outlook from "stable" to "positive", thus suggesting a possible upward review of the institution during the next rating sessions. On its part, AM Best confirmed the rating A-, awarded for several years with a "stable" outlook. This review, which comes at a time when the ratings of several competitors are shrouded in uncertainty, augurs well for the future of the Corporation.

With an 8.53% increase on its premium income from USD 369.51m in 2007 to USD 401.04m in 2008, the Corporation demonstrates accurate knowledge of its target market and a mastery of its portfolio which has grown by more than 25% over the last 5 years, during which the hard cycle lasted. While rates contracted and conditions softened persistently in 2008, Africa Re decided to strengthen its policy of cautious underwriting, which has ensured the Corporation's remarkable organic growth over these past 3 decades.



This section reviews the operating performance of the Corporation during the year 2008 and further examines the effect of its retrocession arrangements on earned income and incurred losses in 2007 and 2008.

Africa Re's balanced portfolio of acceptances resulting from a good spread of business lines and its presence in every country in Africa puts the company in a unique and strategic position.

Africa Re's commitment to very strict but responsive underwriting procedures which are strictly adhered to by its six regional offices and subsidiary yield opportunities in the market place as witnessed by the significant growth in income over the past few years.

Acceptances in the Corporation are classified as follows:

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

The international scope of reinsurance business drives organizations to achieve significant economies of scale by using the most efficient technologies. Africa Re goes a step further by ensuring proximity

to its clients, thus giving the Corporation a distinct and thorough understanding of markets in Africa and its environs as evidenced by the geographical location of its production centres and their areas of activity.

- Lagos, Nigeria: Anglophone West Africa;
- Abidjan, Côte d'Ivoire: Francophone West and Central Africa;
- Casablanca, Morocco: Maghreb;
- Cairo, Egypt: North East Africa and the Middle East;
- Nairobi, Kenya: East and part of Southern Africa;
- Johannesburg, South Africa: South Africa and neighbouring markets, handled by the subsidiary, African Reinsurance Corporation (South Africa) Limited; and,
- Port Louis, Mauritius: African Indian Ocean Islands and Asia.

The Corporation also writes "International" business from the Middle East, Asia and the Far East in its Lagos, Cairo and Port Louis offices.

The following table provides a summary of the Corporation's performance:

DESCRIPTION (US\$000)	2008			2007		
	GROSS	RETRO	NET	GROSS	RETRO	NET
INCOME						
Premium (less cancellations)	401,041	(35,865)	365,176	369,512	(33,796)	335,716
Change in unearned premium provision	(7,578)	299	(7,279)	(3,112)	(2,918)	(6,030)
Earned premium	393,463	(35,566)	357,897	366,400	(36,714)	329,686
OUTGO						
Losses paid	195,615	(5,920)	189,695	160,065	(2,438)	157,627
Change in outstanding claims provision (incl. IBNR)	49,315	580	49,895	61,544	(3,467)	58,077
Incurred losses	244,930	(5,340)	239,590	221,610	(5,905)	215,705



Operations

African Reinsurance Corporation

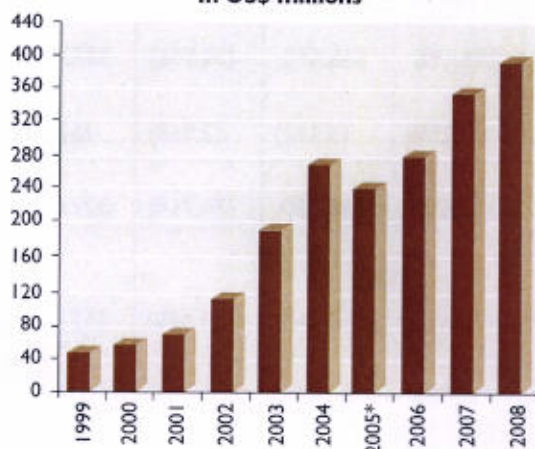
Premium Income

During the year under review, the Corporation's written premium income was US\$401.04 million which represents a 8.53% increase over the 2007 figure of US\$369.51 million. Depreciation of currencies across the African continent led to a reduction in corporate income to the tune of US\$63.56 million. The major currencies affected were the South African Rand (US\$44.50m), the Nigerian Naira (US\$5.40m) and the Kenyan Shilling (US\$4.56m).

Development of Gross Premium

Significant events in the last decade enabled Africa Re to grow from an income of US\$70.92 million in 1999 to US\$401.04 million in 2008 representing an average annual growth of 19.83%. First, the era coincided with the deregulation and opening up of many markets in the Continent and Asia, creating opportunities which Africa Re exploited after due considerations. Second, the period under review was still reverberating from the stock market crisis at the end of the previous decade, when the shocks of the 9/11 attacks and the heavy losses from natural catastrophes set in, ripping reinsurers balance sheets in 2005 alone to the tune of US\$83 billion. The decade finally closed with the Stock market crisis of 2008, which reduced the global shareholders funds of non-life insurers at the end of the year by between 15% and 20%. By and large, these events instilled a certain level of underwriting discipline in the reinsurance market, keeping prices from falling to uneconomic rates. The relative pricing stability favoured Africa Re during this era of market opportunities ensuring consistent growth in both income and technical profits.

**Development of Gross Premium Income
In US\$ millions**

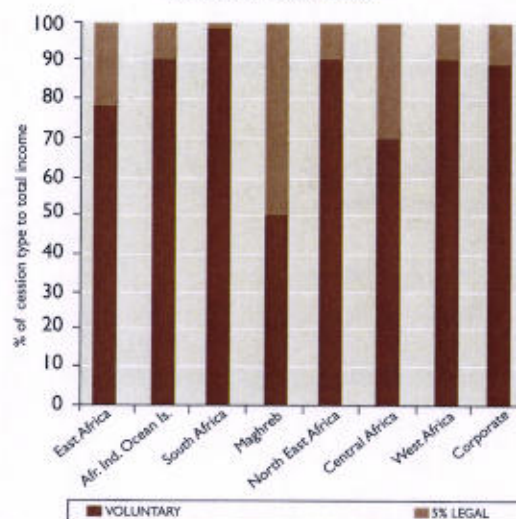


*First time application of one year accounting.

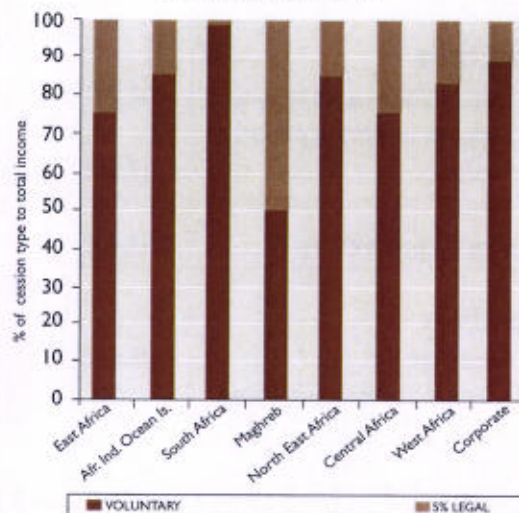
Voluntary Cessions

Africa Re's portfolio of treaty business for 2008 consisted of voluntary and legal cessions in the proportion 86:14. Legal cession was a source of major income in the early years of Africa Re. It may be recalled that the Corporation was set up by 36 African countries in 1976 with clear developmental goals, part of which were to reduce capital flight and establish local expertise and capacity. While Africa Re cherishes these early weaning years, it has since been transformed into a successful commercial undertaking which has moved beyond the acceptance of compulsory cessions which, in over ten years, contributed just about 10% to the production of the Corporation.

Financial Year 2008



Financial Year 2007





GEOGRAPHICAL DISTRIBUTION

In this ever changing and volatile economic landscape, Africa Re stands out in the continent and beyond, as a beacon of excellence by providing top notch services to its clients in Africa, Asia & the Middle East. The testimony of its secure ratings from Standard & Poors' (BBB+) and A.M. Best (A-), coupled with its consistently favourable technical results, as well as the quality of its shareholders, ranging from Governments to the Private Sector and first class international organizations, explains Africa Re's ability to keep and service a satisfied client base.

Southern Africa

The South African market accounts for about 85% of the continent's insurance premium income. It is no surprise therefore that since its upgrade to a wholly owned subsidiary in 2004, the African Reinsurance Corporation (South Africa) Ltd (ARCSA) has consistently been the highest income earner for the Corporation. However, the depreciation of the Rand by 35.27% and ARCSA's adherence to a sound underwriting process, were responsible for the decline in production from US\$162.30 million in 2007 to US\$127.08 million (31.69% of corporate income) in 2008.

East Africa

The production from East Africa rose to US\$52.33 million from US\$43.14 million in 2007. Against the depreciation of the Kenyan shilling which impeded income growth by US\$4.56 million, the region once again performed creditably through a dedicated marketing approach leading to an increase in both facultative and voluntary treaty acceptances. The increase of 21.30% over 2007 figures represents 13.05% of corporate totals.

Anglophone West Africa

The region posted an income of US\$50.71 million, which is a modest increase of 4.15% over the 2007 figure of US\$48.69 million. This represents 12.65% of the corporate production compared with 13.18% in 2007. Noting the fact that the Naira depreciated against the United States Dollar, leading to a loss in income of US\$5.40 million and also the post recapitalization of two local reinsurers in Nigeria, the region's performance was quite commendable.

Maghreb

The written premium income from the Maghreb was US\$46.73 million (11.65% of Africa Re's income) as against US\$42.05 million in 2007. The increase of 11.13% over last year's production was as a result of opportunities to grow in virtually every country in the region, especially in the property and life classes. However, the depreciation of all the currencies in the region hindered growth to the tune of US\$2.12 million.

North East Africa

The upgrade of the Cairo office continues to ensure growth in income in line with the opportunities in the Sudanese and Egyptian markets. The region therefore almost doubled its income from US\$15.68 million in 2007 to US\$31.28 million in 2008, representing 7.80% of corporate income.

Francophone West and Central Africa

The French speaking countries of West and Central Africa posted an income of US\$27.81 million translating to a growth of 8.89% over last year's US\$25.54 million. The income represents 6.93% of Africa Re's corporate production in 2008.

African Indian Ocean Islands

The domestic premium income from the Port Louis office fell from US\$11.08 million in 2007 to US\$10.20 million in 2008 due essentially to the 14% depreciation in local currencies to the United States Dollar, thus reducing production by US\$1.43m. The turnover posted constituted 2.54% of Africa Re's total income for 2008.

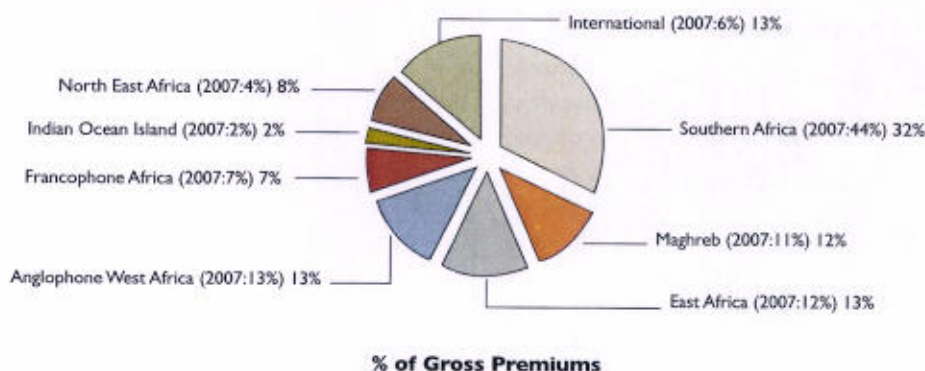
International Business

Written income from Africa Re's international business grew from US\$21.03 million in 2007 to US\$54.90 million in 2008, which translated to 13.69% of corporate income. The increase of US\$33.87 million was largely due to opportunities in China, India and the development of insurance markets in the Middle East, including Retakaful operations.



Operations

African Reinsurance Corporation



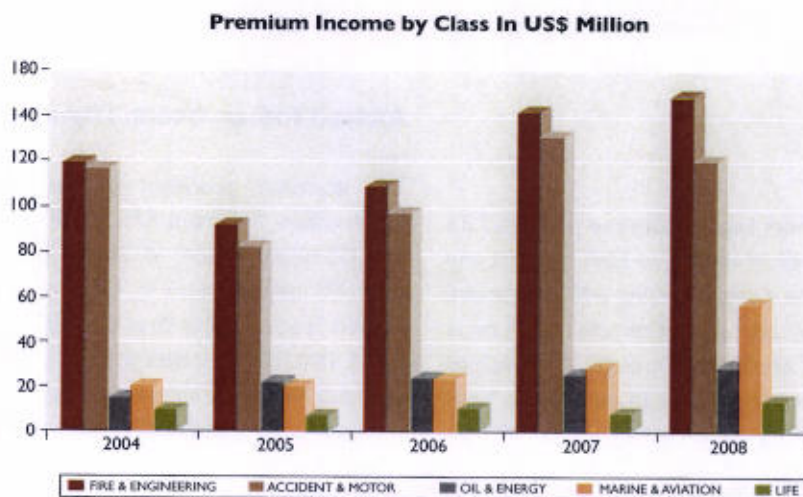
SECTORAL DISTRIBUTION

The Fire and Engineering classes continued as the biggest contributor to the Africa Re's production income with a turnover of US\$166.86 million representing 41.61% of corporate turnover (2007: US\$149.84m or 40.55% of turnover). This was followed by the Accident and Motor classes which fell from US\$137.50 million or 37.21% in 2007 to US\$122.35 million or 30.51% in 2008 due to a reduction in business from Southern Africa.

After the above-mentioned classes were the Marine and Aviation classes with US\$61.91 million or 15.44% (2007: US\$37.49 or 10.15%). The Oil and Energy class came in fourth by producing US\$37.85 million or 9.44%, a modest increase over the 2007 figures of US\$34.97 million or 9.46%.

Finally the income of the Life class rose from US\$9.71 million or 2.63% in 2007 to US\$12.07 million or 3.00% of corporate production.

The following graph provides the distribution of premium income by business class.



INVESTMENT INCOME

Portfolio Performance

The period under review was characterized by the extreme turbulence that engulfed the global financial markets, especially in the second half of the year. Though the Corporation largely escaped the financial turmoil in 2007, it was affected, like most other investors, by the fallout from the credit

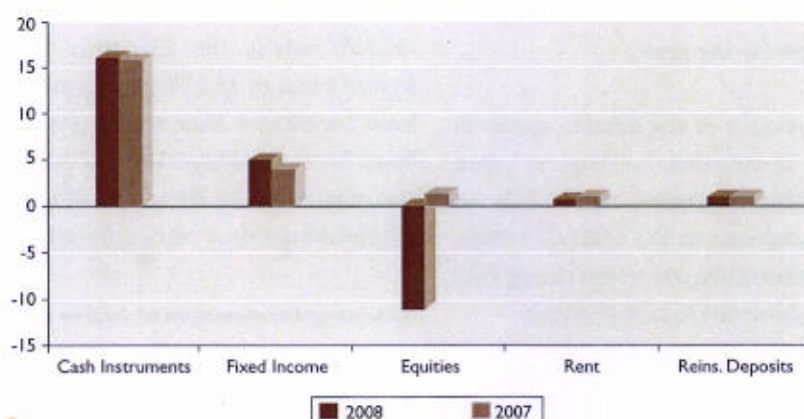
and liquidity crises and the subsequent spillover to the real sectors of the world economy. Whilst direct exposure to failed financial institutions was limited to US\$0.51 million of Lehman Brothers senior unsecured bond, the dramatic declines in global equity markets occasioned by panic and massive sell offs triggered significant marked-to-market write-downs in the Corporation's modest equity portfolio.



Total investment income for the year thus suffered considerably, as it declined by 41.33% to US\$16.47 million from the previous year's impressive performance of US\$28.07 million. Given the high volatility in the global markets, the Corporation's performance should be considered satisfactory particularly as industry results point to net investment losses for key players. Financial assets comprising cash, fixed income and equity instruments recorded an income of US\$13.10 million, a drop of 46.60% from the 2007 results, whilst rental income

and interest on reinsurance deposits also slipped by 4.82% to US\$3.37 million. Attractive results were recorded from the cash portfolio which posted 5.92% return despite the drastic interest rate cuts, same as bonds and other fixed income (6.31%) and real estate (16.81%) portfolios. However, the performance was muted by a 38.60% loss in the externally managed equity portfolio due largely to marked-to-market unrealized loss recognized in the income statement.

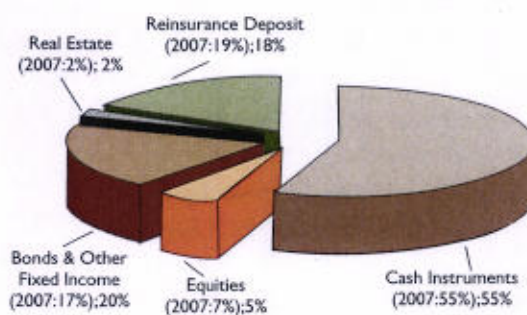
Investment income by asset class in US\$ million



The year end value of the investment portfolio stood at US\$534.64 million, representing less than 1% decrease over the previous year. The change is explained by the market valuation losses sustained in the equity portfolio and a strong rally of the US Dollar against the portfolio's underlying currencies especially the South African Rand which accounts for nearly 33% of the portfolio and 67% of the non US Dollar assets as well as a 7.67% decline in the reinsurance deposits. The mitigating factors were strong operating net cash flow and the investment income recorded during the year.

As in the previous year, the portfolio remained strongly tilted toward cash instruments, accounting for 55% and held by top-rated counterparty banks and short term US treasury bills. Bonds & other fixed income advanced 3% from the previous year weight to 20% largely due to increased allocation to medium term (1 – 5 years) Floating Rate Notes which comprised mainly African trade finance risk-sharing facilities with selected international banks. Expectedly, the equity portfolio shed 2% of its weight from 7% in 2007 to 5% at the end of the year.

Asset Composition as at December 2008



Long Term Investments

The Corporation continued with the implementation of its strategy of accessing long term equity investment opportunities through specialized and dedicated funds. As a result, during the year, the Board approved the Corporation's subscription of US\$5 million each in two regional and successor private equity funds, Capital Alliance Private Equity III (CAPE III) and Emerging Capital Partners (ECP) Africa Fund III to bring the number of portfolio companies to 12 and total commitment to US\$16.77 million.



Operations

African Reinsurance Corporation

Cumulative disbursements in respect of the private equity portfolio stood at US\$4.66 million (2007: US\$ 2.65 million) as the legal documentations on the new approvals were not concluded during the year. On the net asset valuation basis, the portfolio is valued at US\$6.61 million (2007: US\$2.79 million) and gives 1.42 multiple of invested capital.

Afreximbank, Shelter Afrique and AGF Assurance Vie of Cameroon continued with dividend payments, whilst CAPE II Fund paid its first dividend during the year. Therefore an amount of US\$89,333 (2007: US\$70,766) was received from these companies as dividend distribution for the year.

Rental income in respect of the lettable spaces in the Corporation's three office buildings in Lagos, Nairobi and Casablanca dipped by 14.73% to US\$1.59 million compared to the US\$1.87 million recorded in 2007, essentially due to the strong rally of the US Dollar against the local currencies.

Equities

Broad market indices crumbled to one of their lowest levels in 2008 as a result of heightened risk caused by bank failures, rating downgrades and falling earnings, although it recovered slightly on account of unprecedented government intervention in the United States, the United Kingdom and Europe. The year thus ended with the S&P 500 and Russell 1000 indices plummeting 37% and 37.6% respectively. Similarly the MSCI Euro, which tracks the performance of European stocks, fell sharply with a loss of 43.65% as Germany (-45.9%) and France (-43.3%) typify the region's performance.

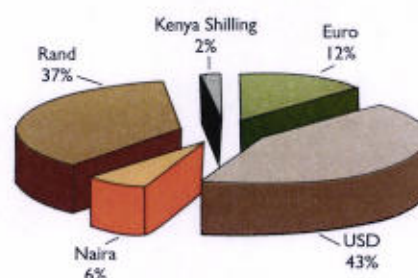
African stock markets were not insulated from the global crisis as concerns over falling commodity prices especially crude oil and liquidity pressure from home countries led to massive stock sell off by international portfolio investors. South Africa (JSE Top 40 Index -23.6%), Nigeria (-45.77%), Cairo (-56.40%) and Nairobi (-35.33%) markets, were thus among the worst affected on the continent.

Against the background of these severe financial market conditions, the Corporation's actively

managed equity portfolio, which has performed creditably in the past years, recorded a loss of US\$10.93 million or 38.60% compared with a blended benchmark loss of 36.80%. Portfolio write downs and realized losses amounting to US\$11.80 million were partly offset by US\$0.87 million net dividend income. The realized loss of US\$2.15 million was occasioned by the restructuring of one of the US Dollar equity mandates from a single style into multiple styles.

In all, the North American portfolio was down by 43.52% compared to a blended benchmark index -37.35% whilst the European portfolio, which posted a loss of 45.32%, closely mirrored the MSCI Euro benchmark after adjusting for expenses. The South African and Nigerian local currency portfolios also slipped by 22.3% and 32.0% respectively, but outperformed their market benchmarks.

Currency Composition of Active Equity Portfolio



Bonds and Other Fixed Income

The Bonds and other fixed income portfolio recorded yet another solid and impressive result during the year with a gain of US\$6.27 million, representing 24.0% growth over the previous year, despite making full provision for the Lehman Brothers' exposure. The yield on average investment was also strong at 6.31% compared to 6.13% recorded in 2007.

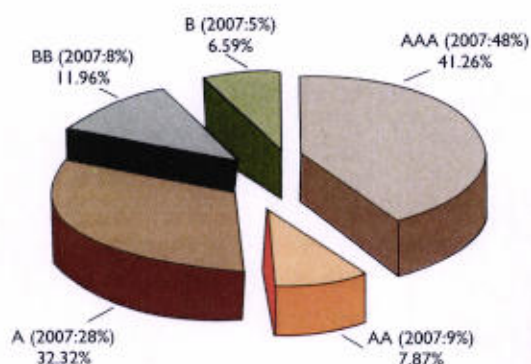
The performance was largely driven by the professionally managed North American US Dollar portfolio which posted a yield of 6.52%, compared to the benchmark index return of 5.43% due to the relatively large exposure to Treasury



and Agency securities. Investors' flight to quality intensified during the year, particularly in the last quarter amid continued tight credit conditions and deteriorating economic data. Demand for safety and liquidity therefore increased dramatically and pushed Treasury prices higher and yields down to historic lows across the maturity spectrum.

The performance of the South African Rand portfolio also improved markedly with 15.67% yield during the year compared to the 4.0% recorded in 2007 but marginally underperformed the BEASSA 3-7 year index returns of 15.90%. The internally managed held-to-maturity portfolio recorded a marginal improvement over last year with US\$3.02 million income compared to US\$2.91 million.

The overall portfolio remained well diversified across sectors, issues, maturities, markets and managers. Average duration remained less than three years while weighted average rating moved a notch down to A+ against AA- recorded in the previous year owing to widespread rating downgrades in the wake of the credit crisis. The proportion of AAA rated securities declined from 48% of the portfolio in the previous year to 41%. The non-investment grade bonds are however African Sovereign and corporate issues which the Corporation holds in line with its developmental mandate. Efforts are however being made to increase allocations to AAA rated securities to restore the average portfolio rating to the target AA level.



Cash Instruments

The cash instrument portfolio continued to provide the downside protection for the Corporation's

investment performance. Despite the US Federal Reserves and Treasury coordinated efforts which culminated in drastic interest rate cuts to historic lows across the major developed economies in the last quarter, interest income from this asset class edged up 2.1% from US\$17.32 million in 2007 to US\$17.67 million in the year under review, representing a yield of 5.92%.

The performance is largely attributable to increased liquidity and rising interest rates in South Africa in particular and some other African countries, notwithstanding the sharp depreciation of the currencies in the last quarter of the year. Moreover, cognizant of the declining US Dollar interest rates which began in 2007, a conscious effort was made to lengthen the maturities and lock in higher rates on a significant portion of the US Dollar short term deposits.

Other Operating Income

Fee income from the management of the Oil & Energy and Aviation insurance pools posted US\$1.06 million, 13.8% higher than the previous year. The performance reflects similar growth in premium income written by the pools during the year, as the fee is linked to the level of premium.

OUTGO

Losses

The total claims paid amounted to US\$195.62 million (2007: US\$160.07 million) representing a paid claims ratio of 48.78% (2007: 43.32%). Incurred losses, on the other hand, made up of paid claims and movement in outstanding claims provision (US\$49.31 million as against US\$61.54 million in 2007) amounted to US\$244.93 million (US\$221.61 million in the previous year).

The following table provides some useful insights into the foregoing indicators:



Operations

African Reinsurance Corporation

Gross Loss Ratio by Class - Financial Year 2008

CURRENCY: US\$M

CLASS OF BUSINESS	REGIONAL BUSINESS			INTERNATIONAL INWARD			TOTAL CORPORATE		
	Loss Incurred	Earned Premium	Loss Ratio %	Loss Incurred	Earned Premium	Loss Ratio %	Loss Incurred	Earned Premium	Loss Ratio %
Fire & Accident (Including Eng)	180.34	266.56	67.65	21.76	31.80	68.43	202.10	298.36	67.74
Marine & Aviation	19.35	62.65	30.89	15.53	20.39	76.16	34.88	83.04	42.00
Life	7.95	12.06	65.92	-	-	-	7.95	12.06	65.92
Total	207.64	341.27	60.84	37.29	52.19	71.45	244.93	393.46	62.25

Loss Experience by Trading Area

The South African production centre (run-off and subsidiary) incurred a gross loss ratio of 74.36% in 2008, an increase from the 2007 ratio of 71.70%. The net ratio also increased, albeit slightly from 73.95% in 2007 to 76.66% in 2008. The high gross & net loss ratios were as a result of a series of large market losses coupled with the continued softening of rates in the direct insurance market.

A major Fire loss in Nigeria pushed up both the gross and net incurred claims ratios in 2008 of Anglophone West Africa to 51.06% (2007: 26.81%) and 64.39% (2007: 35.96%) respectively.

In East Africa, the incurred loss ratios were relatively stable between 2007 and 2008, with a gross of 46.62% (2007: 46.98%) & and a net of 50.82% (2007: 48.67%).

The Maghreb region's gross loss ratio rose from 39.82% in 2007 to 50.96% in 2008, while its net ratio also increased from 42.23% to 55.58%. The reason for these increases was the magnitude of certain outstanding claims in both the Property and Marine classes.

The incurred loss ratios of North Eastern region grew from a gross of 56.28% (net: 64.12%) in 2007 to 78.46% (net: 82.85%) in 2008, due essentially to the allowance for outstanding claims reserves arising from the Property class in the Egyptian market.

The Francophone West and Central Africa gross

incurred claims ratio was 45.97% in 2008, up from 39.82% in 2007, while the net claims ratio also rose from 32.72% in 2007 to 49.86% in 2008. Outstanding claims reserves especially in the Energy & Property classes were responsible for the increase in incurred claims ratio.

The claims experience of the African Indian Ocean Islands improved from a gross of 61.08% (net: 63.22%) in 2007 to 39.08% (net: 40.57%) in 2008.

The gross and net incurred loss ratios of the international operations improved from 2007 gross and net ratios of 114.49% and 116.12% respectively to 71.45% and 71.64% in 2008. The main reason for the over 70% claims ratio was due to a number of property claims emanating from India, and the Middle East.

Commission and Charges

During the period under review, gross commission and charges including movement in deferred acquisition costs amounted to US\$104.13 million (2007: 93.37m), while recoveries from retrocessionnaires stood at US\$4.89 million (2007: US\$3.01m). As a result, net commission and charges increased from US\$90.36 million in 2007 to US\$99.24 million in 2008, with corresponding reduction in the net ratio from 28.44% to 27.86%.

RESULTS OF THE 2008 FINANCIAL YEAR

As mentioned earlier, the Corporation generated gross written premium of US\$401.04 million during



the year under review, representing an increase of 8.53% over US\$369.51 million reported in 2007. The performance is in line with Management forecast which takes into account the soft market and consequent depression of premium rates. The Corporation was able to sustain its share of the market in most locations although a number of its trading currencies witnessed significant depreciation against the US Dollar (South African Rand 35.27%, Nigerian Naira 18.49%, Kenyan Shilling 22.57%, etc.) thereby reducing the premium income in US Dollar terms.

Premium ceded to retrocessionnaires during the year was US\$35.86 million, an increase of 6.12% over US\$33.8 million recorded in the previous year, leading to an improvement in the retention ratio from 90.85% in 2007 to 91.06%. There has not been any major change in the Corporation's retrocession policy as it continues to rely on Excess of Loss programmes to protect the traditional acceptances while also obtaining special covers for the major oil and petrochemical risks.

Adjustment for the movement in the provision for unearned premiums, net of retrocessionnaires' share thereof produced a net earned premium of US\$357.90 million (2007: US\$329.69 million).

The Corporation's loss experience during the year was relatively high compared to the last two years. Losses paid in 2008 amounted to US\$195.62 million, an increase of 22.21% over US\$160.07 million in 2007. A number of major claims were reported in South Africa, Cairo and West Africa on the property, energy and aviation accounts. Of the total losses paid, US\$5.92 million (2007: US\$2.44 million) was recovered from retrocessionnaires, resulting in net losses paid of US\$189.70 million as against US\$157.63 million in 2007. The adjustment for the movement in the outstanding claims (including IBNR) provisions resulted in a net incurred loss of US\$239.59 million compared to US\$215.70 million recorded in 2007, representing a claim ratio of 66.94% compared to 65.43% in 2007.

A total amount of US\$17.39 million was incurred as management expenses, representing an increase

of 5.76% over US\$16.44 million in 2007. While the depreciation of some of the operating currencies played some part in containing the management expenses, the policy of strict control of expenses ensured that most expense items remained well within approved budget.

Although the Corporation largely escaped the financial turmoil in 2007, it was affected by the crisis that rocked the global financial markets in the second half of 2008. For the first time, the Corporation experienced a significant dip in its income from investment and other sources, including interest on reinsurance deposits, falling to US\$17.65 million compared to US\$29.04 million achieved in 2007. Despite this decline, the performance is still above the industry average as most reinsurers lost heavily to both the sub prime turmoil and equity market crash.

Consequently, profit after tax for the year was down by 40.07% from US\$34.05 million in 2007 to US\$20.41 million.

APPROPRIATION OF RESULTS

In furtherance of the Corporation's commitment to consolidate its financial position while providing competitive remuneration on the capital invested in its equity, the Board recommends that the unappropriated profits be distributed as follows:

- US\$ 10,203,437 to the General Reserve in accordance with Resolution No. 4/1992;
- US\$2,250,000 to be paid as dividend at the rate of US\$2.25 (2007:US\$3.75) per subscribed and paid up share of US\$100 par value;
- US\$800,000 to be transferred to the Reserve for Loss Fluctuation in line with the approved self insurance scheme;
- The balance of US\$7,153,437 to be carried forward.



Statement of Management Responsibility

African Reinsurance Corporation



AFRICAN REINSURANCE CORPORATION SOCIÉTÉ AFRICAINE DE REASSURANCE (AFRICA RE)

TELEGRAMS: AFRICARE LAGOS
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VICTORIA ISLAND
PMB 12765
LAGOS, NIGERIA

RESPONSIBILITY FOR EXTERNAL FINANCIAL REPORTING

MANAGEMENT'S RESPONSIBILITY

Management's Responsibility Regarding Effectiveness of Internal Controls Over Financial Reporting

The Management of African Reinsurance Corporation (Africa Re) is responsible for the preparation, integrity, and fair presentation of its financial statements and all other information presented in the Annual Report. The financial statements have been prepared in accordance with International Financial Reporting Standards and generally accepted accounting principles 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 their audit were valid and appropriate. The independent auditors' report accompanies the audited financial statements.

The responsibility of Management includes designing, implementing and maintaining effective internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. Management believes that internal controls for external financial 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 compared to



plan 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 and procedures approved by the Board of Directors and/or by the Executive Management such as underwriting and reserving policies, staff rules and regulations, investment policy guidelines and the accounting and financial reporting 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 provide only reasonable assurance with respect to financial statements preparation. Furthermore, because of changes in circumstances, the effectiveness of internal control may vary over time.

The Board of Directors of the African Reinsurance Corporation has set up an Audit and Risk Committee to monitor the internal controls and risk management practices within the group. The Committee is made up of non-executive directors who are independent of Management. It meets periodically with Management, the external auditors, the internal auditors, and the technical inspectors to review their reports and ensure that they are carrying out their respective responsibilities. The external auditors, the internal auditors and the technical inspectors have free access to the Committee 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 Committee.

Bakary Kamara
Group Managing Director and CEO



International Seminar in Mauritius - June 2008



Oil and Gas Seminar in Cairo, Egypt - November 2008

**Deloitte.**

S.A. au capital de 37 500 000 FCFA
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**REPORT OF THE EXTERNAL AUDITORS TO THE SHAREHOLDERS
OF AFRICAN REINSURANCE CORPORATION
FINANCIAL STATEMENTS AS AT 31 DECEMBER 2008**

We have audited the accompanying financial statements of the African Reinsurance Corporation (AFRICA RE), which comprise the balance sheet as at December 31, 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the African Reinsurance Corporation (AFRICA RE) as of December 31, 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche
Abidjan, Côte d'Ivoire
31st march 2009



Consolidated Balance Sheet

African Reinsurance Corporation

at 31 December 2008

	Notes	2008 US\$'000	2007 US\$'000
Assets			
Cash and cash equivalents		24,450	22,994
Investments	3	500,890	504,831
Premium income receivable		15,368	14,422
Deferred acquisition costs	4	22,416	22,540
Reinsurance receivables	5	91,607	68,768
Retrocessionaires' share of technical provisions	6	8,085	8,135
Sundry receivables		2,078	5,216
Investment property	7	9,295	9,469
Property, plant and equipment	8	12,668	12,191
Total assets		686,857	668,566

These consolidated financial statements were authorised for issue by the Board of Directors of the Corporation on 14 April, 2009 and signed on its behalf by:

MUSA AL NAAS
Chairman

BAKARY KAMARA
Managing Director

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



		2008 US\$'000	2007 US\$'000
Liabilities			
Current income tax		160	86
Sundry payables		8,764	8,419
Reinsurance payables	9	65,428	58,959
Deferred tax	10	60	777
Technical provisions	11	388,725	369,523
Total liabilities		463,137	437,764
Shareholders' equity			
Retained earnings		51,060	45,407
Other reserves	12	59,227	71,962
Share premium		13,433	13,433
Share capital	13	100,000	100,000
Total shareholders' equity		223,720	230,802
Total liabilities and shareholders' equity		686,857	668,566

These consolidated financial statements were authorised for issue by the Board of Directors of the Corporation on 14 April, 2009 and signed on its behalf by:

MUSA AL NAAS
Chairman

BAKARY KAMARA
Managing Director

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



Consolidated Income Statement

African Reinsurance Corporation

for the year ended 31 December 2008

	Notes	2008 US\$'000	2007 US\$'000
Gross earned premium	14	393,463	366,400
Less: retrocession premium		(35,566)	(36,714)
Net earned premium		357,897	329,686
Investment income	15	16,471	28,073
Commissions earned under retrocession arrangements		4,597	3,059
Other operating income	16	1,176	972
Total income		380,141	361,790
Net claims incurred	17	(239,590)	(215,704)
Acquisition expenses		(103,841)	(93,424)
Administrative expenses	18	(17,392)	(16,445)
Finance costs – exchange gains/(losses)		1,176	(1,015)
Profit before income tax		20,494	35,202
Income tax expense	19	(88)	(1,154)
Profit for the year		20,406	34,048

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



Consolidated Statement of Changes in Equity

African Reinsurance Corporation

for the year ended 31 December 2008

	Retained earnings	Trans-lation reserve	General reserve	Reserve for Market Value Adjustment	Reserve for exchange fluctuation	Reserve for loss fluctuation	Share premium	Share capital	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
At 1 January 2008	45,407	4,037	57,631	-	6,294	4,000	13,433	100,000	230,802
Net income recognised directly in equity									
- Currency translation differences	-	(22,960)	-	-	-	-	-	-	(22,960)
- Unrealised loss on Equity Investment	-	-	-	(778)	-	-	-	-	(778)
- Profit for the year	20,406	-	-	-	-	-	-	-	20,406
Total recognised income for 2008	20,406	(22,960)	-	(778)	-	-	-	-	(3,332)
Appropriation:									
Dividend declared on 2007 accounts	(3,750)	-	-	-	-	-	-	-	(3,750)
Transfer to reserves	(11,003)	-	10,203	-	-	800	-	-	-
At 31 December 2008	51,060	(18,923)	67,834	(778)	6,294	4,800	13,433	100,000	223,720

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



Consolidated Statement of Changes in Equity

African Reinsurance Corporation

for the year ended 31 December 2007

	Retained earnings	Translation reserve	General reserve	Reserve for exchange fluctuation	Reserve for loss fluctuation	Share premium	Share capital	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
At 1 January 2007	32,183	(1,848)	40,607	6,294	3,200	13,433	100,000	193,869
Net income recognised directly in equity								
- Currency translation differences	-	5,885	-	-	-	-	-	5,885
- Profit for the year	34,048	-	-	-	-	-	-	34,048
Total recognised income for 2007	34,048	5,885	-	-	-	-	-	39,933
Appropriation:								
Dividend declared on 2006 accounts	(3,000)	-	-	-	-	-	-	(3,000)
Transfer to reserves	(17,824)	-	17,024	-	800	-	-	-
At 31 December 2007	45,407	4,037	57,631	6,294	4,000	13,433	100,000	230,802

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

Consolidated Cash Flow Statement

for the year ended 31 December 2008



	Notes	2008 US\$'000	2007 US\$'000
Operating activities			
Cash generated from operations	21	42,589	81,856
Income tax paid		(530)	(1,878)
Net cash from operating activities		42,059	79,978
Investing activities			
Purchase of property and equipment		(1,621)	(1,630)
Purchase of investments		(13,632)	(82,651)
Proceeds from disposal of property and equipment		22	189
Net cash from investing activities		(15,231)	(84,092)
Financing activities			
Dividends paid		(3,190)	(2,683)
Net cash from financing activities		(3,190)	(2,683)
Net increase/(decrease) in cash and cash equivalents		23,638	(6,797)
Movement in cash and cash equivalents:			
At start of year		22,994	22,587
Net increase / (decrease) as above		23,638	(6,797)
Exchange (losses) / gains on liquid assets		(22,182)	7,204
At end of year		24,450	22,994

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



Notes to the Financial Statements

African Reinsurance Corporation

for the year ended 31 December 2008

I General information

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 for the purposes of:

- a) mobilising financial resources from insurance and reinsurance operations;
- b) investing in Africa such funds to help accelerate economic development; and
- c) fostering the development of the insurance and reinsurance industry in Africa by promoting the growth of national, regional and sub-regional underwriting and retention 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, Port Louis, and Johannesburg via its wholly owned subsidiary, African Reinsurance Corporation (South Africa) Limited, a company incorporated in the Republic of South Africa.

2 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

These consolidated financial statements are prepared in accordance and comply with International Financial Reporting Standards (IFRS) and its interpretations issued by the

International Accounting Standard Board (IASB).

The financial statements are presented in United States dollars (US\$). 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 judgment 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) Consolidation

These consolidated financial statements include the assets, liabilities and results of African Reinsurance Corporation and its subsidiary, African Reinsurance Corporation (South Africa) Limited.

All significant inter-company transactions and balances are eliminated.

(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 balance sheet date. In addition, the consolidated income statements include 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 analysis 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 contracts 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 insured for contracts in force at the end of the period. Where statements of insurance contracts 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 balance sheet 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 premiums 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. This is computed separately for each contract at the balance sheet date using principally the one-over-eighth basis for proportional treaty business and the pro-rata basis for non-proportional and facultative business. 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 bases relevant to the risk profile of the insurance contract.

(iii) Claim 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 IBNR. Outstanding claims comprise provisions for all the Corporation's estimated ultimate costs of settling all claims incurred but unpaid at the balance sheet date whether reported or not and related claim handling expenses. Outstanding claims that have occurred at the balance sheet 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



Notes to the Financial Statements

African Reinsurance Corporation

for the year ended 31 December 2008

at the balance sheet 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 balance sheet 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 balance sheet 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 unexpired policies, provisions for profit commissions accrued and adjustments to contingency and other reserves within the policyholder liabilities.

(f) Property, plant and equipment

Property, plant 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 repairs and maintenance are 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 balance sheet 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.

Notes to the Financial Statements

for the year ended 31 December 2008



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) *Investments*

Investments comprise equity investments, fixed and floating rate instruments and deposits. At the initial recognition of an investment, management determines its classification, which is dependent on the purpose for which the investment was acquired, and re-evaluates

that classification at every reporting date. Investments are classified as follows:

i) Fair value through profit and loss

An investment is classified into this category at inception if acquired principally for the purpose of selling in the short-term, or if it forms part of a portfolio of financial assets in which there is evidence of short-term profit taking.

ii) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, other than loans and receivables that the Group has the positive intention and ability to hold to maturity.

iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

iv) Available-for-sale

Available-for-sale are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

Purchases and sales of investments are recognised on the trade date – the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus, in the case of all financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Investments are derecognised when the rights to receive cash flows from the investments have expired or where they have been transferred and the Group has also transferred substantially all risks and rewards of ownership.



Notes to the Financial Statements

African Reinsurance Corporation

for the year ended 31 December 2008

Investments at fair value through profit or loss are subsequently carried at fair value, unless fair value cannot be reliably determined, in which case they are carried at cost less accumulated impairment losses. Fair values are based on current bid prices in an active market, and changes in fair value are included in the income statement. If the market for a financial asset is not active, the Group establishes fair value by using appropriate valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available for sale investments are subsequently carried at fair value, and unrealised gains and losses arising from changes in their fair value are recognised in a separate reserve in equity. When investments in this category are sold or impaired, the accumulated fair value adjustments are included in the income statement.

(j) Reinsurance receivables

All amounts receivable are initially recognised at face 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 balance sheet on a gross basis.

Amounts recoverable under reinsurance and retrocession contracts are assessed for impairment losses at each balance sheet 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

Cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(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. In line with IAS 21 revised, the group has selected a common currency, United States Dollars, as its functional and 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. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Translation differences on equities held at fair value through profit and loss are reported as part of the fair value gain 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 balance sheet presented are translated at the closing rate at the date of that balance sheet;



- b) income and expenses for each profit and loss account are translated at average exchange rates (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.

(m) Leases

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

(n) Employee benefits

Retirement benefit obligations

The Corporation operates a defined contribution retirement benefit 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 profit and loss account in the year to which they relate.

The liability recognised in the balance sheet in respect of the unfunded defined service

gratuity scheme is the present value of the defined benefit obligation at the balance sheet date.

Other employee benefits

The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet 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 and is computed in accordance with South African tax laws.

Tax is recognised as an expense / (income) and included in the profit and loss account, except to the extent that the tax arises from a transaction which is recognised directly in equity.

Deferred tax is provided, using the liability method, for all temporary differences arising between the tax basis of assets and liabilities and their carrying values for financial reporting purposes. Tax rates enacted or substantively enacted at the balance sheet date are used to determine deferred tax.

Deferred tax assets are recognized only to the extent that is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities.

(p) Dividends

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



Notes to the Financial Statements

African Reinsurance Corporation

for the year ended 31 December 2008

	2008 US \$'000	2007 US \$'000
3 Investments		
i) Investments by category		
Bank deposits	270,979	279,860
Deposits with ceding companies	93,663	101,447
Fixed rate securities at fair value through profit and loss	41,809	43,798
Fixed rate securities held to maturity	41,202	35,539
Floating Rate Securities at cost	25,649	10,630
Quoted equity investments at fair value through profit and loss	23,235	31,201
Unquoted equity investments at cost less impairment	4,353	2,356
	500,890	504,831
Investments held to maturity are presented on the Group's balance sheet at their amortised costs. The fair value of the held to maturity assets at 31 December, 2008 was US\$41,148,257 (2007: US\$34,801,739). Unquoted equity investments with a cost of US\$ 4,657,555 (2007: US\$2,660,704) have been carried at cost less impairment because their fair value cannot be determined as the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed.		
ii) Weighted average effective interest rates		
	2008 %	2007 %
Interest-bearing investments denominated in:		
US Dollars	3.36	5.42
Euros	3.83	4.19
South African Rand	11.26	8.96
	2008 US \$'000	2007 US \$'000
4 Deferred Acquisition Costs		
Balance at 1 January	22,540	20,771
Exchange Rate impact on opening balance	(1,932)	187
	20,608	20,958
Released during the year	(20,608)	(20,958)
Deferred during the year	22,416	22,540
At 31 December	22,416	22,540
5 Reinsurance receivables		
Gross Receivables arising from reinsurance arrangements	99,179	74,952
Provision for impairment	(7,572)	(6,184)
	91,607	68,768
Comprising:		
Current portion	61,369	40,633
Non-current portion	30,238	28,135
	91,607	68,768



	2008 US\$'000	2007 US\$'000
6 Retrocessionnaires share of technical provision		
Claims recoverable	5,139	5,433
Deferred retrocession premium	2,946	2,702
	8,085	8,135
7 Investment property		
Cost		
At 1 January		
- as previously reported	10,475	10,380
- as restated	10,475	10,380
- additions	-	95
At end of year	10,475	10,475
Depreciation		
At 1 January		
- as previously reported	1,006	843
Charge for the year	174	163
At end of year	1,180	1,006
Net book value	9,295	9,469

The following amounts have been recognised in the profit and loss account in respect of investment properties:

Rental income	1,592	1,867
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Investment property represents the lettable portion of the Corporation's headquarters building in Lagos as well as regional office buildings in Nairobi and Casablanca.

At 31 December, 2006, the market value of the headquarters building was estimated at US\$15,000,000 (net book value: US\$7.54 million) by Charles Zuberu & Associates, a firm of Estate Surveyors.

There has not been any significant change in the valuation parameters since the last valuation.



Notes to the Financial Statements

African Reinsurance Corporation

for the year ended 31 December 2008

8 Property, plant and equipment

	Assets under construction US\$'000	Buildings & freehold land US\$'000	Fittings & equip- ment US\$'000	Motor vehicles US\$'000	Total US\$'000
Year ended 31 December 2008:					
Net book value at 1 January 2008	540	7,905	3,468	278	12,191
Additions	625	7	750	239	1,621
	1,165	7,912	4,218	517	13,812
Reclassifications/Transfers	-	-	(49)	(10)	(59)
Disposals (Cost)	-	-	(4)	(77)	(81)
Disposals (Accumulated Depreciation)	-	-	4	77	81
Depreciation	-	(157)	(787)	(141)	(1,085)
Net book value at 31 December 2008	1,165	7,755	3,382	366	12,668
Comprising:					
Cost	1,165	9,088	9,238	872	20,363
Accumulated depreciation	-	(1,333)	(5,856)	(506)	(7,695)
	1,165	7,755	3,382	366	12,668
Year ended 31 December 2007:					
Net book value at 1 January 2007	383	8,147	3,144	228	11,902
Additions	702	33	716	84	1,535
	1,085	8,180	3,860	312	13,437
Reclassifications/Transfers	(545)	-	457	88	-
Disposals (Cost)	-	-	(518)	(78)	(596)
Disposals (Accumulated Depreciation)	-	-	363	77	440
Depreciation	-	(275)	(694)	(121)	(1,090)
Net book value at 31 December 2007	540	7,905	3,468	278	12,191
Comprising:					
Cost	540	9,006	8,645	784	18,975
Accumulated depreciation	-	(1,101)	(5,177)	(506)	(6,784)
	540	7,905	3,468	278	12,191

Included in buildings and freehold land is a total amount of US\$4,714,682 (2007:US\$4,807,725) representing the carrying amount of the owner-occupied part of Group's headquarters building in Lagos and regional office buildings in Nairobi and Casablanca.

9 Reinsurance payables

	2008 US\$'000	2007 US\$'000
Payables under reinsurance arrangements	43,864	39,713
Payables under retrocession arrangements	21,564	19,246
	65,428	58,959

**10 Deferred tax**

Deferred tax is calculated in full using the liability method and applying a principal tax rate of 29%. The movement on the deferred tax account is as follows:

	2008 US\$'000	2007 US\$'000
At 1 January	777	710
Exchange Rate impact on opening balance	(202)	23
Income statement charge (Note 19)	(515)	44
	60	777

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

	01.01.08 US \$'000	Charged to P/L US \$'000	31.12.08 US \$'000	31.12.07 US \$'000
Property and equipment	24	-	24	42
Unrealised gain on revaluation of investments	753	(515)	238	712
Exchange Rate impact on opening balance	(202)	-	(202)	23
Net deferred tax liability/(asset)	575	(515)	60	777

11 Technical provisions

i)

	2008 US\$'000	2007 US\$'000
Provision for outstanding claims	261,609	227,958
Provision for Claims incurred but not reported	38,402	43,646
Cumulative translation reserve	4,281	12,588
Total outstanding claims	304,292	284,192
Provision for Unearned premium	84,433	85,331
	388,725	369,523
Comprising:		
- current portion	179,076	184,340
- non-current portion	209,649	185,183
	388,725	369,523



Notes to the Financial Statements

for the year ended 31 December 2008

African Reinsurance Corporation

ii) Analysis of outstanding claims reserve development

U/W YR	1999 US\$'000	2000 US\$'000	2001 US\$'000	2002 US\$'000	2003 US\$'000	2004 US\$'000	2005 US\$'000	2006 US\$'000	2007 US\$'000	2008 US\$'000
Gross outstanding claims reserve	31,462	31,875	59,963	64,604	134,312	135,573	148,915	137,391	184,340	179,076
Gross paid (Cumulative):										
1 year later	18,317	18,278	26,429	31,313	51,705	57,284	62,705	67,544	101,635	
2 years later	24,801	24,285	41,756	46,869	108,364	82,214	84,300	103,671		
3 years later	27,383	26,975	45,040	51,766	120,900	88,984	94,188			
4 years later	29,695	28,063	47,618	54,390	126,063	96,259				
5 years later	32,561	29,914	49,086	55,970	130,004					
6 years later	33,962	31,556	50,602	63,019						
7 years later	35,646	32,588	51,105							
8 years later	36,613	32,530								
9 years later										
10 years later	36,950									
Re-estimated as of:										
Closed year										
1 year later	31,462	31,875	59,963	64,604	134,312	135,573	148,915	137,391	184,340	
2 years later	30,726	29,213	46,458	71,092	131,985	128,836	102,876	117,432	174,442	
3 years later	34,390	33,128	57,352	74,086	132,575	114,114	136,360	137,660		
4 years later	33,363	33,342	53,824	70,714	137,471	132,279	120,260			
5 years later	34,501	32,415	55,422	65,032	144,008	111,528				
6 years later	35,996	34,867	54,499	79,765	137,500					
7 years later	38,209	36,876	59,444	70,005						
8 years later	44,973	41,167	54,242							
9 years later	48,575	34,442								
10 years later	39,264									
Gross redundancy/ (deficiency)	(7,802)	(2,567)	5,721	(5,401)	(3,188)	24,045	28,655	(269)	9,898	

**12 Other reserves**

	2008	2007
	US\$'000	US\$'000
General reserve	67,834	57,631
Reserve for exchange fluctuation	6,294	6,294
Reserve for loss fluctuation	4,800	4,000
Reserve for Market Value Adjustment	(778)	-
Translation reserve	(18,923)	4,037
	59,227	71,962

(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 board resolution number 4/1992.

(ii) Reserve for exchange fluctuation

Reserve for exchange fluctuation represents an amount set aside by the directors from the profits of each year to cushion the effects of adverse movements in exchange rates in the countries of operation.

(iii) Reserve for loss fluctuation

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 balance sheet date.

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

(v) Reserve for Market Value Adjustment

Reserve for market value adjustment represents the unrealised gain or loss arising from the changes in the fair value of the non-derivative financial assets classified as available for sale.

13 Share capital

	2008	2007
	Number	Number
Authorised share capital	5,000,000	5,000,000
Issued and fully paid	1,000,000	1,000,000
	US\$'000	US\$'000
Issued and fully paid at 31 December	100,000	100,000



Notes to the Financial Statements

African Reinsurance Corporation

for the year ended 31 December 2008

14 Earned premium

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

	2008			2007		
	Gross	Retro-	Net	Gross	Retro-	Net
	US\$'000	cession	US\$'000	US\$'000	cession	US\$'000
Fire and accident	298,361	(16,996)	281,365	288,501	(14,526)	273,975
Marine and aviation	83,044	(18,570)	64,474	66,501	(22,188)	44,313
Life	12,058	-	12,058	11,398	-	11,398
	393,463	(35,566)	357,897	366,400	(36,714)	329,686

	2008	2007
	US \$'000	US \$'000
15 Investment income		
Interest income	22,662	22,978
Interest on reinsurance deposits	1,782	1,678
Rental income	1,592	1,867
Dividends from equity investments	1,107	684
Realized (Loss)/Gains on Investments	(2,227)	723
Fair value (loss)/gains from investments at fair value through profit and loss	(8,089)	455
Management fee	(356)	(312)
	16,471	28,073

16 Other operating income

Fee income	1,063	934
Gain on disposal of property and equipment	28	32
Sundry income	85	6
	1,176	972

17 Claims incurred

	2008			2007		
	Gross	Retro-	Net	Gross	Retro-	Net
	US\$'000	cession	US\$'000	US\$'000	cession	US\$'000
Claims incurred by principal class of business						
Fire and Accident	202,095	(2,956)	199,139	184,692	(2,225)	182,467
Marine and Aviation	34,884	(2,384)	32,500	28,786	(3,680)	25,106
Life	7,951	-	7,951	8,131	-	8,131
Total	244,930	(5,340)	239,590	221,609	(5,905)	215,704

**18 Other operating expenses**

	2008	2007
	US \$'000	US \$'000
Staff costs	9,317	9,484
Auditors' remuneration	154	177
Depreciation	1,260	1,253
Impairment charge on reinsurance receivables	1,388	1,067
Operating lease rentals	229	270
Repairs and maintenance expenditure	740	468
Consultancy fees and expenses	492	251
Travel costs and allowances	627	523
General Assembly and Board of Directors' meetings	550	509
Others	2,635	2,443
	17,392	16,445

Staff costs include retirement benefit costs amounting to US\$963,887 (2007: US\$1,124,468).

19 Income tax expense

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 only the subsidiary company's profit, which is computed in accordance with the income tax rules applicable in the Republic of South Africa.

Tax charged in the financial statements is made up of:

	2008	2007
	US\$'000	US\$'000
Current income tax	603	1,110
Deferred income tax (Note 10)	(515)	44
	88	1,154

20 Dividends

At the Annual General Meeting (AGM) to be held on 25 June, 2009, a final dividend in respect of the year ended 31 December 2008 of US\$2.25 (2007: US\$3.75) per share on 1,000,000 qualifying shares amounting to a total of US\$2,250,000 (2007: US\$3,750,000) is to be proposed. The dividend declared at the 2008 AGM was charged to shareholders' equity in these financial statements. The liability for the dividend payable on the 2008 results shall be treated as an appropriation of profit in the financial statements for the year ending 31 December 2009.



Notes to the Financial Statements

African Reinsurance Corporation

for the year ended 31 December 2008

21 Cash generated from operations

Reconciliation of profit before tax to cash generated from operations:

	2008 US\$'000	2007 US\$'000
Profit before tax	20,494	35,202
Adjustments for:		
Depreciation	1,260	1,253
Profit on sale of property and equipment	(22)	(32)
Change in fair value of financial assets	8,089	(455)
Changes in:		
- reinsurance payables	25,721	71,719
reinsurance receivables	(16,001)	(24,016)
other payables	(214)	1,519
other receivables	3,262	(3,334)
Cash generated from operations	42,589	81,856

22 Related party transactions and balances

i) No individual shareholder has a controlling interest in the Corporation.

	2008 US\$ '000	2007 US\$ '000
ii) Remuneration of key management personnel		
Directors' fees (Non executive directors)	145	135
Other remuneration (Elected members of management)		
- Salaries and other short term benefits	1,011	895
- Terminal benefits	302	241



23 Management of insurance and financial risk

Insurance risk

African Reinsurance 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 as well as with an 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 in 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 unit, Central Operations and Inspection, 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.

Financial risk

The Corporation in the normal course of business 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.

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 less than 5 years.

The table below analyses the Corporation's key financial assets and liabilities into relevant maturity groupings based on the remaining period at 31 December 2008 to the earlier of the repricing or contractual maturity date.



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African Reinsurance Corporation

for the year ended 31 December 2008

	Up to 1 year	1-2 years	2-3 years	3-4 years	Over 4 years	Total
At 31 December 2008						
(IN US\$'000)						
FINANCIAL ASSETS						
Cash and cash equivalents	24,450	-	-	-	-	24,450
Reinsurance receivables	45,137	16,232	6,776	14,710	8,752	91,607
Investments:						
- Bank deposits	270,979	-	-	-	-	270,979
- Deposits with ceding companies	11,582	23,243	12,816	8,929	37,093	93,663
- Fixed rate securities at fair value	1,897	2,175	2,217	2,116	33,404	41,809
- Fixed rate securities at amortised cost	7,144	3,720	1,096	9,446	19,796	41,202
- Floating rate securities at cost	10,387	6,186	5,077	-	3,999	25,649
Total	371,576	51,556	27,982	35,201	103,044	589,359

FINANCIAL LIABILITIES

Current income tax	160	-	-	-	-	160
Reinsurance payables	25,976	11,469	10,709	8,094	9,180	65,428
Outstanding claims	96,763	62,684	42,747	29,601	72,497	304,292
Total	122,899	74,153	53,456	37,695	81,677	369,880

	Up to 1 year	1-2 years	2-3 years	3-4 years	Over 4 years	Total
At 31 December 2007						
(IN US\$'000)						
FINANCIAL ASSETS						
Cash and cash equivalents	22,994	-	-	-	-	22,994
Reinsurance receivables	23,169	17,467	17,490	2,324	8,318	68,768
Investments:						
- Bank deposits	279,860	-	-	-	-	279,860
- Deposits with ceding companies	25,127	22,893	11,016	7,987	34,424	101,447
- Fixed rate securities at fair value	4,700	4,138	4,133	3,124	27,703	43,798
- Fixed rate securities at amortised cost	6,492	3,509	2,983	1,098	21,457	35,539
- Floating rate securities at cost	-	703	5,382	-	4,545	10,630
Total	362,342	48,710	41,004	14,533	96,447	563,036

FINANCIAL LIABILITIES

Current income tax	86	-	-	-	-	86
Reinsurance payables	34,701	5,012	3,278	2,698	13,270	58,959
Outstanding claims	109,858	49,496	33,316	18,161	73,361	284,192
Total	144,645	54,508	36,594	20,859	86,631	343,237



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. Africa Re does not apply hedging techniques in mitigating 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 about 95% of its business volumes. The assets and liabilities in these currencies are matched to the level desired by the group.

The group had the following significant foreign currency positions at 31 December (all amounts expressed in US Dollars):



Notes to the Financial Statements

African Reinsurance Corporation

for the year ended 31 December 2008

At 31 December 2008: (in US\$'000)

ASSETS

	USD	Rand	MADCF/A/EUR	EGP	NGN	KSH	MUR	OTHERS	TOTAL
Cash and cash equivalents	12,473	755	1,277	5,504	48	281	885	2,298	24,450
Reinsurance receivables	30,124	10,087	5,761	18,401	3,663	6,779	1,757	3,344	91,607
Investments									
- Bank deposits	109,335	105,817	7,430	25,720	2,700	2,581	4,581	7,474	270,979
- Deposits with ceding companies	7,683	2,695	23,115	26,856	5,831	928	85	26,456	93,663
- Fixed rate securities at fair value	21,917	14,107	-	3,666	-	-	-	2,119	41,809
- Fixed rate securities at amortised cost	31,368	5,889	-	3,945	-	-	-	-	41,202
- Floating rate securities at cost	25,649	-	-	-	-	-	-	-	25,649
- Equity investments at fair value	11,388	7,665	-	2,734	1,114	334	-	-	23,235
- Equity investments at amortised cost	3,676	-	-	40	637	-	-	-	4,353

Total

253,613 147,015 37,583 86,866 12,242 19,726 10,903 7,308 41,691 616,947

LIABILITIES

Current income tax	-	160	-	-	-	-	-	-	160
Reinsurance payables	27,535	12,368	4,176	7,443	933	767	305	10,220	65,428
Outstanding claims	74,461	85,262	19,892	31,367	7,379	12,793	6,020	55,340	304,292

Total

101,996 97,790 24,068 38,810 8,312 13,459 13,560 6,325 65,560 369,880



Notes to the Financial Statements

African Reinsurance Corporation

for the year ended 31 December 2008

At 31 December 2007: (in US\$ '000)

ASSETS

	USD	Rand	MADCFA/EUR	EGP	NGN	KSH	MUR	OTHERS	TOTAL
Cash and cash equivalents	8,737	5,827	572	2,785	864	789	1,250	654	22,994
Reinsurance receivables	15,397	7,068	4,513	13,300	1,852	7,513	6,011	1,795	68,768
Investments									
- Bank deposits	126,397	110,058	2,534	24,992	642	4,184	580	1,595	279,860
- Deposits with ceding companies	5,917	11,853	24,485	25,370	4,587	16	1,121	96	101,447
- Fixed rate securities at fair value	20,316	16,341	-	4,219	-	-	-	-	43,798
- Fixed rate securities at amortised cost	31,476	-	-	4,063	-	-	-	-	35,539
- Floating rate securities at cost	10,630	-	-	-	-	-	-	-	10,630
- Equity investments at fair value	14,140	11,211	-	4,200	-	1,567	-	83	31,201
- Equity investments at amortised cost	1,930	-	-	40	-	386	-	-	2,356
Total	234,940	162,358	32,104	78,969	7,945	14,455	8,962	4,140	596,593

LIABILITIES

Current income tax	-	86	-	-	-	-	-	-	86
Reinsurance payables	33,056	5,256	831	5,520	955	421	1,016	142	58,959
Outstanding claims	75,964	90,203	18,366	22,150	7,225	6,913	8,661	7,642	284,192
Total	109,020	95,545	19,197	27,670	8,180	7,334	9,677	7,784	343,237



Notes to the Financial Statements

African Reinsurance Corporation

for the year ended 31 December 2008

23 Management of insurance and financial risk (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument agreement 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 financial regulations prescribe minimum acceptable credit rating and maximum allowable exposure to any single counter-party.

The Corporation's fixed income portfolio is managed following 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.

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. The Corporation's investment guidelines prescribe minimum levels of financial assets to be held in cash and cash instruments. Cash instruments include bank deposits of maturities 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.

Equity price risk

Equity price risk refers to the potential loss in fair value resulting from adverse changes in stock prices. The Corporation maintains 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.

24 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.

**25 Commitments***(i) Capital commitments*

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements is as follows:

	2008	2007
	US\$'000	US\$'000
Property and equipment	123	412

(ii) Operating lease commitments

The future minimum lease payments under non-cancellable operating leases are as follows:

	2008	2007
	US\$'000	US\$'000
Not later than 1 year	234	79
Later than 1 year and not later than 5 years	351	91
	585	170



Appendix

African Reinsurance Corporation

Consolidated profit and loss account by class of business

	Fire and accident US\$'000	Marine and aviation US\$'000	Life US\$'000	Total 2008 US\$'000	Total 2007 US\$'000
Underwriting income:					
Gross written premium	303,266	85,701	12,074	401,041	369,512
Gross earned premium	298,361	83,044	12,058	393,463	366,400
Retrocession premium	(16,997)	(18,569)	-	(35,566)	(36,714)
Net earned premium	281,364	64,475	12,058	357,897	329,686
Commissions earned	2,063	2,534	-	4,597	3,059
Gross Claims paid	(159,858)	(30,580)	(5,177)	(195,615)	(160,065)
Gross Claims incurred	(202,095)	(34,884)	(7,951)	(244,930)	(221,609)
Less retrocessionaires' share	2,956	2,384	-	5,340	5,905
Net claims incurred	(199,139)	(32,500)	(7,951)	(239,590)	(215,704)
Commissions expense	(81,813)	(19,278)	(2,750)	(103,841)	(93,424)
Management expenses	(12,886)	(3,801)	(705)	(17,392)	(16,445)
Underwriting (loss)/profit	(10,411)	11,430	652	1,671	7,172
Net Investment and other income				17,647	29,045
Finance Costs – exchange gains/(losses)				1,176	(1,015)
Profit before income tax				20,494	35,202
Income tax expense				(88)	(1,154)
Profit for the year				20,406	34,048