

AFRICAN REINSURANCE CORPORATION
GENERAL ASSEMBLY
32ND ANNUAL ORDINARY MEETING
ALGIERS, ALGERIA, 24TH JUNE 2010

AFRICARE/GA/34/230



AFRICAN REINSURANCE CORPORATION
SOCIETE AFRICAINE DE REASSURANCE
(AFRICA RE)

Honourable Representatives
General Assembly
African Reinsurance Corporation

Date: 24th June 2010

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, 2009.

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. L. NATY



Mr. M. KAMEL



Mr. E. ENGOLO



Mr. H. ASSAH



Mr. F. DANIEL

ALTERNATE DIRECTORS

Mr. Fathi BALA, Mr. Israel KAMUZURA, Mr. Ali AL-ASHRY, Mr. Basiru NJAI, Mr. Marcus BONN, Mr. YAHYAOUI Thami, Mr. Moussa DIAW, Mr. MERAGHNI KAMEL, Mr. Mamadou SARR, Mr. Abubacar A. JIMOH, Mr. Bala ZAKARIYAU



Chairman's Statement

African Reinsurance Corporation

The 32nd Annual Report of the Board of Directors presents the African Reinsurance Corporation's consolidated financial statements for 2009, including the statement of financial position as at 31st December and the statement of comprehensive income 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.



Mr. M. AL Naas
Chairman

Gross written premium for the year grew by 33.7% to US\$536.38 million, compared to US\$401.04 million in 2008. The performance, taking cognizance of the impact of changes in exchange rates, is broadly in line with the Corporation's business development strategy. Gross earned premium, after adjusting for the movement in unearned premium provision, stood at US\$514.48 million compared to US\$393.46 million in 2008.

Premium ceded to retrocessionnaires during the year totalled US\$49.23 million as against US\$35.86 million last year. The Corporation's policy on the use of retrocession remained very prudent and continued to rely more on XL cover for the regular risks assumed while arranging special covers, on a need basis, in respect of the major oil and petrochemical risks accepted.

The settlement of a major market loss in Nigeria, high level of claims on an account in South Africa which was subsequently cancelled by the Corporation, as well as losses on energy and property classes in Gabon and Côte d'Ivoire led to an increase in paid claims from US\$195.62 million in 2008 to US\$289.28 million. A total amount of US\$7.70 million (2008: US\$5.92 million) was recovered from retrocessionnaires. Adjusting for the movement in outstanding claims, including IBNR, net incurred loss ratio stood at 65.69% compared to 66.94% last year.

Management expenses for the year stood at US\$22.84 million, representing an increase of

31.33% over US\$17.39 million incurred in 2008. The combination of remuneration review and recruitment of additional staff to improve competitiveness and cope with the increasing volume and complexity of business, coupled with the high energy cost in the Head Office and currency appreciation in South Africa, led to the increase in management expenses. Nonetheless, all cost items were well contained within the approved budget, while the core management expenses ratio remained within universally accepted norms.

Accordingly, the Corporation posted a record underwriting profit of US\$15.71 million for the year, compared to US\$1.67 million in 2008.

Income from investment and other sources, including interest on reinsurance deposits, amounted to US\$31.29 million compared to US\$17.65 million reported in the previous period. The encouraging signs of recovery in the global economy and the spectacular rally in equity and credit markets led to the improvement in the performance of the Corporation's investment portfolio.

The cumulative translation adjustment, which is being accounted for as a separate component of the shareholders' funds, recorded an unrealised gain of US\$13.81 million (2008: US\$31.27 million loss), as a result of the strengthening of some of the Corporation's operating currencies, especially the South Africa Rand (20.3%) against the US Dollar. Consequently, shareholders' funds as at 31st December, 2009 stood at US\$280.40 million (2008: US\$223.72 million), representing an increase of 25.3%.

The financial downturn that started in 2008 after the subprime mortgage crisis continued in 2009 and became a multifaceted global economic meltdown. It has revealed the big interaction, or even interdependence, between the different national economies, production sectors and between these sectors and employment. Unemployment, which



worsened this year, spared no country including the most developed nations. It has in fact reached record levels of 10% of the active population in many well-to-do countries.

This crisis, of an unprecedented scale since the Great Depression of the 1930s, has plunged several countries into recession. Although, stock markets recovered from the 2nd quarter of 2009, this recovery did not suffice to curb the fervour and temptation of self-withdrawal and protectionism in several emerging countries and particularly western nations. This self-withdrawal reflex is at the origin of the foiled attempt to reform the governance of the major multilateral financial institutions (World Bank and International Monetary Fund).

After a sustained growth of 5.6% on average over the past five years, African economies were in turn sledge hammered by the effects of the multifaceted crisis that many economists thought the continent was shielded from because Africa is not in the mainstream of the global economy. The continent's average growth was 1.7% only in 2009, thereby worsening unemployment and poverty and dampening hopes of a significant achievement of the Millennium Development Goals (MDGs) by 2015. However, despite this momentary setback, Africa is better-off than it was a decade ago.

Improvement in reinsurance rates, conditions and terms recorded in 2008, remained modest during the year under review, though there were all indications of a lasting "back to the basics" of underwriting. This improvement, which started in 2008 a year marked by numerous natural catastrophes, came in the wake of the worsening of the international market that witnessed the payment of 7 of the 10 largest claims of the 2000/2009 decade by professional reinsurers.

Reinsurance companies were shielded from the repercussions of the stock market crisis by their financial stability due to the constant implementation of cautious, if not conservative investment

policies. Moreover, the exceptionally profitable 2009 financial year justifies the stabilization of reinsurance pricing. Nevertheless, during the 2009 and 2010 renewals, discipline and professionalism remained the watchwords of underwriters due to the concentration of reinsurance companies that led to the emergence of operators concerned more with profitability and not the unbridled quest for market shares.

These factors, coupled with improved Enterprise Risk Management of reinsurance companies, yielded very significant profits for most companies in 2009.

African markets in general and Africa Re in particular were not left behind. The fruitful underwriting of the energy and oil classes, the financial strength rating upgrade by Standard & Poor's from BBB+ to A-, at a time when several peers were downgraded, and the resultant better acceptability of the Institution, led to a premium income that rose from US\$401.04 million to US\$536.38 million, representing a significant increase of 33.7% compared to 2008.

Better still, the exceptional 117.08% rise in net profit compared to last year's, sustained by a positive underwriting margin and good performance of financial instruments, testify to the solidity and consistency of excellent results year after year.

The key elements of this success are diversified production by country and class of insurance, good performance of its traditional portfolio, especially the domestic market and better acceptability and visibility by its cedants including those outside its original territory.

The Board of Directors once more expresses its hearty congratulations to the Management and Staff of Africa Re for the excellent results and reaffirms its confidence in the future and potentials of the Corporation which, by the end of the decade that is beginning, will surely be one of the international reinsurance stakeholders to be reckoned with.

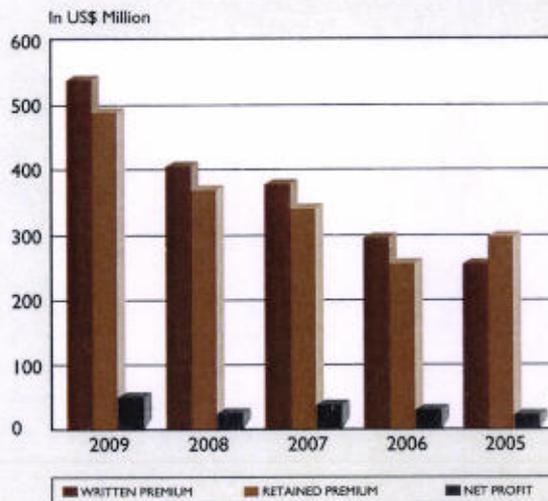


Financial Highlights

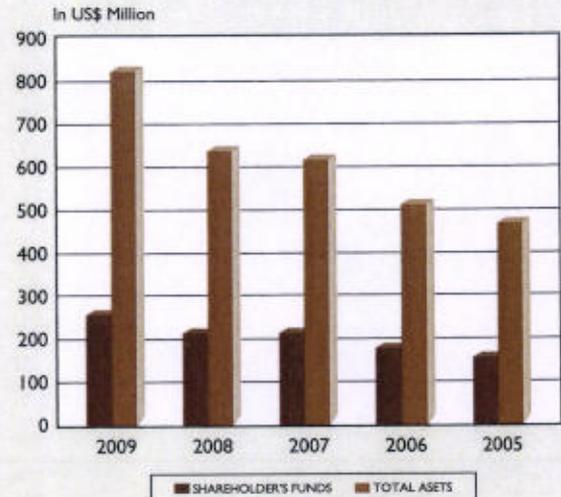
African Reinsurance Corporation

In US\$ '000	2009	2008	2007	2006	2005
RESULTS					
WRITTEN PREMIUM	536,382	401,041	369,512	293,491	255,716
RETAINED PREMIUM	487,150	365,176	335,716	258,066	295,506
EARNED PREMIUM (NET)	466,416	357,897	329,686	242,467	279,135
NET PROFIT	44,301	20,406	34,048	24,882	18,836
FINANCIAL POSITION					
SHAREHOLDERS' FUNDS	280,399	223,720	230,802	193,869	168,595
TOTAL ASSETS	836,017	686,857	668,566	549,060	501,106

RESULTS
2005 - 2009



FINANCIAL POSITION
2005 - 2009



Composition of Africa Re Management Team



Mr. G. Musa
*Deputy Managing Director
Services*



Mr. B. Kamara
Group Managing Director / CEO



Mr. H. M. KUMSA
*Deputy Managing Director
Operations*



Mr. C. Karekezi
Deputy Managing Director



Mr. A. G. Ravoaja
*Director Central Operations
& Inspection*



Mr. I. Uduma
Director Internal Audit



Mr. M. Kannou
Regional Director, Casablanca



Mr. G. O. Otieno
Regional Director, Nairobi



Ms. E. N. Amadiume
Regional Director, Mauritius



Mr. O. Gouda
Regional Director, Cairo



Mr. M. Haidara
Regional Director, Abidjan



Mr. K. Aghoghovbia
Regional Director, Lagos



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

*Corporation Secretary
(Vacant)*



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



All countries of the world are affected by the present financial, economic and social crisis. It is the first crisis of triumphant globalization, after the great shock to capitalism in 1929. This latest crisis has widened the gap between rich and poor countries and between the well-to-do and the impoverished in each of these countries. Playing the role of financiers of last resort of the national economies in this situation, the State regained economic legitimacy, bailing out whole sectors including the automobile and banking, and introducing firm and proactive regulations.

First Crisis of Globalization

While 2007 witnessed the sub-prime mortgage crisis, the 2008 financial year was marked by the burst of the financial bubble that resulted in an economic recession. This recession spared no country in the world, including those on the sidelines of globalization that were supposed to be shielded from its harmful effects. This crisis has revealed the interdependence created by globalization in the world economy, especially between the extractive and manufacturing industries, climate and the environment, as well as finance and employment. In addition, it has shown that world solidarity, however limited by considerations of sovereignty, can ensue from the will of leaders to coordinate their actions to meet the challenges of globalization and avoid protectionism and self-withdrawal that were some of the causes of the Second World War, which itself was a consequence of the Great Depression of the 1930s.

This management approach was not the only method used by States to minimize the impact of the economic crisis. In addition, they had to accept to contend with public deficits in order to finance the relaunch of the engine to increase production of goods and services. States were at the same time confronted with the decline in activities, the difficulties faced by enterprises and households that led to a drop in tax revenue, while funding recovery plans and bail out of banks. For 2009 and 2010 financial years only, the result is an expected cumulated budget deficit of about US\$5000 billion

in the world's twenty richest countries. This financial imbalance was aggravated by the intervention of Central Banks of the emerging countries that used their foreign currency reserves to back a weak dollar, thereby preserving the competitiveness of their economies. Japan's debt is therefore higher than its Gross Domestic Product (GDP), the equivalent of one year's production of goods and services and, according to forecasts, the debts of all the member States of the Organization for Economic Cooperation and Development (OECD) could exceed their total GDP by 2011.

With a few notable exceptions, the world economy contracted by 1% on average in 2009 with significant troughs in Russia (-7.5%), Japan (-5.4%), euro zone (-4.2%) and the United States (-2.7%). Only China and India recorded positive growth rates of 8.5% and 5.4% respectively.

In addition, after a 31% drop in the volume of exports during the first quarter of 2009 compared to the preceding period in 2008, world trade recorded a sharp increase of 9% during the second quarter which is attributable to the new industrialized countries (Brazil, India and China) and not the developed nations (United States, Europe and Japan). Moreover, since the beginning of the fourth quarter, the much expected recovery has appeared on the horizon, so also is the resurgence of national self-interest. That is why a number of emerging countries are reluctant to firmly undertake proactive and globalized financial regulation. The emergence of a real domestic market in each of these countries, whose mainstay is a middle class that consumes locally made goods, explains this self-withdrawal temptation. Western multinational companies are losing market shares to indigenous groups from Brazil, China, India, Indonesia, Egypt and Mexico due to the diversification of their economies. Each of these States is therefore defending its interests without making any concessions. The failure of negotiations during the Conference on Climate Change in Copenhagen once more testifies that countries have interests and not friends. This national self-interest was seen earlier during the consultations to redefine the



governance of multinational financial institutions, especially the International Monetary Fund and the World Bank. The idea was to have appropriate voting power in these organizations which takes into account the economic power of the emerging countries and their positions in the production of goods and services in the world.

However, the design of this much sought-after financial architecture failed due to the lack of audacity by western nations. On the other hand, the G20 agreed to transform the Financial Stability Forum into the Financial Stability Board in charge of implementing an early warning system of world financial risks. Henceforth, while the International Monetary Fund shall supervise macroeconomic equilibrium, the Board shall control institutions and financial markets, set out prudential rules and it is expected to be more responsive than the Forum which was unable to anticipate the present crisis and warn its members.

Hampered Growth in Africa

While most analysts predicted a mild impact of the crisis on Africa due to its marginalization in the globalized economy, the reality has turned out to be more dramatic than in the other regions of the world. Indeed, the world recession has hampered the trend that started over the past five years and which was gradually lifting the continent out of under-development.

Economic growth of the continent stood at 5.2% and 6.3% on average in 2008 and 2007 respectively. In 2009 it was only 1.7%. Though the performance of Africa is better than the world average (-1%), the Continent is facing specific obstacles, including high birth rate (4.6 births per woman) and the non achievement of the Millennium Development Goals. Indeed, it is worth noting that achieving these goals, especially a sharp reduction in poverty, presupposes a sustained growth between 5% and 8% per year from 2000 to 2015. This sharp drop in the growth rate has worsened unemployment and consequently poverty, while Africa's population reached the one billion mark this year.

Due to its financial origins, the crisis first of all hit the countries that are better integrated into the world economy (South Africa and Mauritius) before affecting oil producing countries (Nigeria, Angola, Algeria, Libya, Equatorial Guinea, Gabon etc.) and those that export manufactured products (Egypt, Morocco, Mauritius and Tunisia). Certainly, the indirect consequence was the curbing of inflation in countries of the CFA franc zone, a currency pegged to the euro. However, its repercussions in other sub regions (East Africa especially) were such that the States had to lessen the effects by easing the tax burden as was the case in the developed nations, thereby increasing public deficits, accentuated by a drop in Official Development Assistance from developed countries.

This phenomenon, coupled with a decline in tourist activities and remittances from the Diaspora to the continent, has also intensified the near-general stoppage in foreign capital flow, with the notable exception of China whose presence is visible in the area of raw materials (petroleum, iron, copper).

However, despite these negative factors, Africa is still better-off now than it was a decade ago. Meanwhile, to sustain this trend the continent has to rethink some economic decisions imposed by the Bretton Woods Institutions over the past three decades.

It is worth noting, for example, that South Africa the leading economy in the continent regressed by 2.2% in 2009 due to the impact of the crisis on the automobile industry and the fall in world demand for precious metals (gold and platinum), despite the unprecedented rise in their prices. The close to US\$100 billion for the rehabilitation of infrastructure, the expected impact of the 2010 World Cup on tourism and the increasing interest of China that has become the number one client of the country are fresh promising prospects for the coming years.

There was only a 2.9% GDP growth in 2009 in Nigeria (4.5% excluding oil), representing less than half compared to 2007 and 2008. This was



especially due to low oil revenue as a result of the drop in prices at the beginning of the year and the reduction in oil exports because of instability in the Niger-Delta region. Meanwhile, the reform of the sector and the recapitalization of some of the major banks can lead to greater satisfaction of the demands for funding of economic activities.

Egypt had a good performance with a 4.7% growth in 2009 (7.2% in 2008) despite a decline in activity in the Suez Canal due especially to piracy in the Gulf of Aden.

Kenya recorded a 2.5% growth and 17% inflation. GDP growth in Morocco stood at 5% as a result of the good performance of the agricultural sector and stabilization of the manufacturing sector despite a reduction in remittances from emigrants (-20%) and foreign direct investment.

Other African countries recorded expansion: Algeria (2.2%), Angola (0.25% compared to 9% on average over the past two decades), Ethiopia (7.4% as against 8% in 2008), Mauritius (2%) and Tunisia (2.9%).

Despite this deterioration, reinsurance companies nevertheless recorded appreciable results in 2009.

Maturity and Professionalism of Reinsurers

The increase in rates, terms and conditions of world reinsurance that started in 2008 was modest during the period under review, though the financial crisis that precipitated it, predicted a durable return to the basics of underwriting. The reinsurance sector, involved in 7 of the 10 largest losses of the 2000-2009 decade, suffered in addition from the stock market turmoil in 2002 and the recurrent impact of low technical reserves constituted to meet the commitments of the insurers of the Casualty and Liability classes especially. The combination of these factors and the drop in the return on investments (13.7% in 2007 and 11.7% in 2008) of insurance companies predicted lasting hardening underwriting conditions. However, the very prudent investment

policies adopted by reinsurers who invested more in government securities and highly rated corporate bonds rather than volatile products, explain their low level of exposure to disruptions in the world stock markets.

Besides these explanations, it is worth noting that in 2009, the sector did not record any catastrophe of the magnitude of the hurricanes and storms that swept the Gulf of Mexico, the South of the United States, South-East Asia and the Far East a few years ago. Similarly, unlike the previous cycles (hard and soft) characterized by reinsurance overcapacity, recent mergers and acquisition of companies have culminated in the concentration of global reinsurance, leading to a more coherent and rational pricing of insurance covers. Discipline, coherence and professionalism have therefore become the watchwords of reinsurance underwriters. The direct insurers who did not pass on the increase in cost of coverage of insurance policies to the insured, were hard hit by the combined effects of the financial crisis and the undue competitiveness of the premium rates.

These elements, coupled with the improvement of Enterprise Risk Management of the Reinsurers and a better capital adequacy, enabled reinsurance companies to record good results in 2009. This financial year could be one of the best recorded by reinsurance operators in the decade. It saw the curbing of losses incurred during the second quarter of 2008, after the recovery of the stock market in 2009 and the increase in their portfolio. Conscious of the fact that the reinsurance prices are still below the required technical level, the attitude of underwriters during the 2010 renewals was to grant only limited reductions because of the absence of major losses. The recent increase (+25%) in the market capacity of Lloyd's is testimony to the sound financial basis of reinsurance operators and the renewed confidence of investors.

Following the review of its underwriting strategy and diversification of its portfolio, Africa Re has been paying particular attention to the Energy lines over the past few years. Henceforth, Africa's share



of proven reserves of the black gold in the world stands at 12.4% due to explorations and discovery of significant oil deposits in Angola, Congo, Nigeria, Equatorial Guinea, Egypt and Libya. In a bid to diversify its supply sources, the United States plans to increase energy imports from Africa to 25% of its energy needs by 2015.

While until now, oil companies and their risk carriers have focused more on Western markets, presently, as a result of the will of the Nigerian and Ghanaian Governments to build local capacities, the insurers of these countries are presently acquiring the financial base, corporate management tools and highly specialized skills to control an increasing share of the premiums generated by this sector. Of course this will be done with the support of the international reinsurance market, which specialises in oil risks. This market must be satisfied with the level of capitalisation, financial strength rating, commercial and technical know-how (though limited) of the local insurers and reinsurers. Indeed, if they want to fully benefit from the rule of domiciliation of 45% of oil policies (i.e. local content policy), Nigerian insurers and reinsurers have to be in the vanguard of this initiative by providing technical expertise, commercial know-how and a financial strength rating that can meet the security requirements of oil companies. It is by increasing their retention capacity year after year that they will contribute significantly to the financing of their national economies and not through commissions paid within the purview of fronting arrangements with international reinsurers.

Operating within this economic, professional and regulatory environment, Africa Re made a premium income of US\$536.382 million in 2009, a net profit of US\$44.301 million and shareholder's funds of US\$280.399 million.

This performance was made possible by the unrelenting efforts of a multidisciplinary team of devoted and talented executives, professionals and staff. It is also in testimony to this quest for excellence that Standard and Poor's upgraded the financial strength rating of the Corporation from BBB+ to A-, thereby consecrating its strategic vision and tenacity, and offering the opportunity to Africa Re to be part of the select club of reinsurers whose financial security is accepted by the most demanding cedants; and also facilitating access to several prestigious portfolios and accounts

The Board, Management and Staff are very pleased with this trend which reaffirms and upgrades the ratings of AM Best and Standard & Poor's to "A-". They remain confident in the future of the Institution in accordance with the 2010/2015 strategic plan comprising the triptych of a better capitalised institution, a more sophisticated governance through a better control of Enterprise Risk Management and a more coherent and efficient organization chart. It is therefore with all serenity that the Corporation is entering this second decade of the 21st century during which it expects to become one of the top reinsurance companies in the world.



Operations

African Reinsurance Corporation

This section reviews the Corporation's operating results for the year 2009 and assesses the impact of retrocession placements on earned income and incurred losses in 2008 and 2009.

Africa Re's unique presence in strategic locations on the continent has developed enduring relationships with market players in every country thus ensuring a reasonable spread of business lines and producing consistent profit making income flows.

Through its six regional offices and subsidiary, Africa Re is known for its strict but proactive underwriting approach. This philosophy enables the Corporation to be well positioned when opportunities and product innovations evolve in Africa and the rest of the world.

Acceptances in the Corporation are classified along the following business lines:

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

Africa Re, providing quality services to markets in the continent, Middle East and Asia, is an international reinsurer of choice, using up-to-date

technologies anchored on a profitable and client oriented approach in all its production centres listed below along with the areas under their operational influence.

- Lagos, Nigeria: Anglophone West Africa and Pools;
- Abidjan, Côte d'Ivoire: Francophone West and Central Africa;
- Casablanca, Morocco: Maghreb;
- Cairo, Egypt: North East Africa and the Middle East;
- Nairobi, Kenya: East 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 Pools and "International" business from the Middle East, South 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)	2009			2008		
	GROSS	RETRO	NET	GROSS	RETRO	NET
INCOME						
Premium (less cancellations)	536,382	(49,232)	487,150	401,041	(35,865)	365,176
Change in unearned premium provision	(21,899)	1,165	(20,734)	(7,578)	299	(7,279)
Earned premium	514,483	(48,067)	466,416	393,463	(35,566)	357,897
OUTGO						
Losses paid	289,283	(7,697)	281,586	195,615	(5,920)	189,695
Change in outstanding claims provision (incl. IBNR)	33,048	(8,243)	24,805	49,315	580	49,895
Incurred losses	322,331	(15,940)	306,391	244,930	(5,340)	239,590



Premium Income

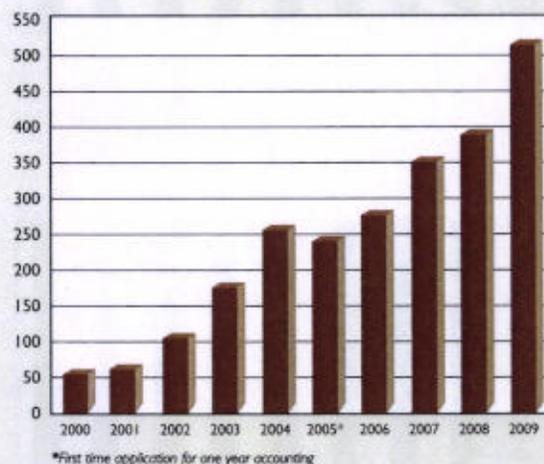
During the year under review, the Corporation's written premium income was US\$536.38 million which represents a 33.75% increase over the 2008 production of US\$401.04 million. The appreciation of the Rand to the US Dollar by 20.35% and to a lesser extent the strengthening of the Mauritius Rupee (4.41%), CFA Franc (3.12%), Kenyan Shilling (3.01%), Moroccan Dirham (2.42%) and Libyan Dinar (1.83%) boosted the income by US\$37.97 million, despite the depreciation of the Nigerian Naira, Ghanaian Cedi and Algerian Dinar by 7.02%, 12.49% and 1.79% respectively. At constant exchange rates, the corporate premium income has grown by 24.28% over 2008 income.

Development of Gross Premium

The development of Africa Re's production income from a modest US\$78.06 million in 2000 to US\$536.38 million in 2009 was due to a number of factors. First, the decade witnessed increased activity in several African markets resulting from the economic boom, coupled with the ongoing insurance deregulation, liberalisation and consolidation in several countries. Second, Africa Re's decision to voluntarily undergo an interactive rating evaluation in 1998 was a strategic move which saw its acceptability rise on the continent and beyond as evidenced by the tremendous growth in its production income (10 year average growth 2000-2009: 22.43%) as the Corporation's rating gradually improved to A- in 2009 (AM Best and S&P). This is a testimony to the success of the Corporation's business development and financial management strategy as Africa Re joined the elite club of reinsurers rated in the "A" category. Third, Africa Re benefited from the sound underwriting during the past decade as uneconomic premium rates were not frequent in the market place. This level of discipline, in a normally competitive reinsurance market, resulted from global events such as the sudden unavailability of capital due to the 2008 global financial market crises, as well as the huge insured losses during the decade from the 9/11

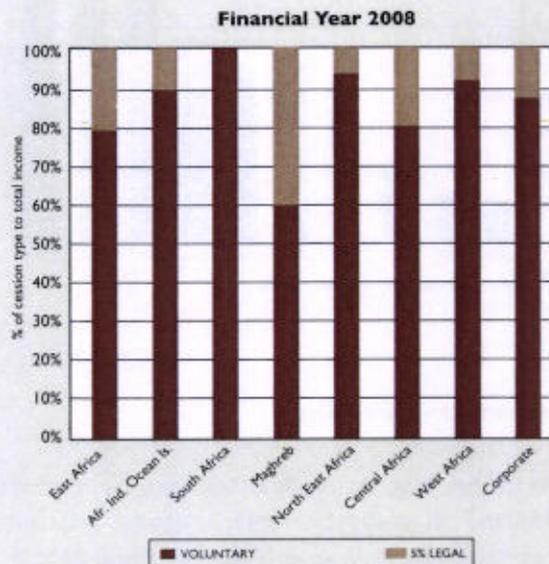
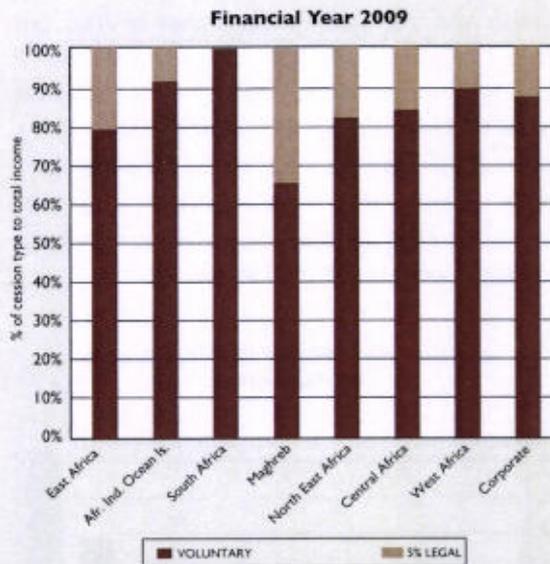
attacks and the natural catastrophes of 2005 and 2008. The September 2008 storms impacted 2009 financials because of non uniformity in reporting cycles and the continued upward revisions of the losses. In summary, an era of market opportunities, global events and a responsive Management approach by the Corporation has led to consistent growth in income and technical profits.

Development of Gross Premium Income In US\$ millions



Voluntary Cessions

Africa Re, with its modest beginning as a small African Inter-Governmental entity, started operations in 1977 as an initiative of the African Development Bank. For its survival, it was dependent on 36 African countries which were the pioneering shareholders. Thus the concept of legal or compulsory cession was vital in the early years. However, the effort of a responsive Board assisted by a visionary Management and Staff over the years has turned Africa Re into a world class organization with globally known Development Finance Institutions among its shareholders. This achievement is reflected in the fact that legal cessions presently contribute 9.72% of the Corporation's income showing the domination of voluntary acceptances in the portfolio.



GEOGRAPHICAL DISTRIBUTION

The positioning of the Corporation's offices on the African map reveals the definite advantage Africa Re has in the continent through its understanding of its over 50 markets and the ability to respond effectively to needs as they arise. Thus in an era which witnessed the biggest global financial catastrophe since the Great Depression, the Corporation's credentials as an institution of excellence, offering first class services to African, Asian and Middle East markets, are supported by its latest rating upgrade from Standard & Poors' to A- and the reaffirmation of the same rating from A.M. Best. The quality and diversity of Africa Re's shareholders, consistent positive technical results and its acclaimed technical assistance to cedants

explain Africa Re's ability to maintain such a large base of loyal clients.

Southern Africa

The South African market accounts for about 80% of the continent's direct insurance premium income (2007 premium income statistics). Five years ago, in order to tap into the potentials of the vast non-life market and ensure better economies of scale in its operations on the continent, Africa Re converted its contact office into a full-fledged subsidiary, the African Reinsurance Corporation, South Africa Ltd (ARCSA) in Johannesburg which oversees its activities in Angola, Mozambique, Botswana and the Rand zone. Since inception, the location has consistently been the highest income earner for the Corporation, increasing its turnover from US\$127.08 million in 2008 to US\$209.27 million or 39.01% of corporate totals in 2009. This achievement was realized as a consequence of the appreciation of the Rand by 20.35% pushing up the location's income by US\$40.40 million, as well as its acceptance by security review panels of top brokers and cedants, following the group's recent rating upgrade which further increased the subsidiary's turnover by US\$41.78 million.

Anglophone West Africa

The region posted US\$75.92 million in 2009, resulting in an increase of 49.72% over the 2008 figure of US\$50.71 million. This sterling performance from the Lagos office represents 14.15% of the corporate production and was achieved despite the depreciation of the Nigerian Naira and Ghanaian Cedi, against the United States Dollar by 7.02% and 12.49% respectively leading to rate of exchange losses of US\$3.14m. The growth over 2008 was evidenced in all classes of business though the main drivers were Onshore Energy, Aviation, Accident/Motor and Fire/Engineering classes.

East Africa

The written premium income from East Africa increased from US\$52.33 million in 2008 to US\$64.37 million in 2009, representing a 23.02% growth and 12.00% of the corporate income. The Zambian Kwacha, Kenyan Shilling and the Ugandan



Shilling appreciated modestly by 3.21%, 3.01% and 2.19% respectively while the Ethiopian Birr, Tanzanian Shilling and Malawi Kwacha depreciated by 26.97%, 1.67% and 3.84%. Overall, there was a rate of exchange loss of US\$1.06 million. Despite the exchange rate loss of US\$1.06 million, the Nairobi office was able to achieve this impressive growth on the back of opportunities in several markets as Africa Re's acceptability enabled it to increase its voluntary treaty acceptances in the year under review.

Maghreb

The production from the Casablanca office grew from US\$46.73 million in 2008 to US\$54.15 million (10.10% of corporate totals) in 2009 representing an increase of 15.87%. The Algerian Dinar, Tunisian Dinar and the Mauritanian Ouguiya depreciated modestly by 1.79%, 0.41% and 0.32% while the Moroccan Dirham and the Libyan dinar appreciated by 2.42% and 1.83% during the year under review. While the impact of exchange rate variations was negligible at US\$0.32 million, the growth in income was achieved through opportunities seized by the Casablanca office especially in the Libyan market, boosting voluntary acceptances in 2009 over the previous year's figures.

North East Africa

The upgrade of the Cairo office has seen its domestic turnover grow from US\$15.68 million in 2007 to US\$31.28 million in 2008 and US\$36.39 million in 2009. The 16.35% growth in 2009 was due essentially to the increased focus of the location on the more profitable treaty lines in both the Sudanese and Egyptian markets. While the loss due to rate of exchange fluctuations was marginal at US\$0.28 million, the domestic production of

the Cairo office represented 6.78% of the 2009 corporate income.

Francophone West and Central Africa

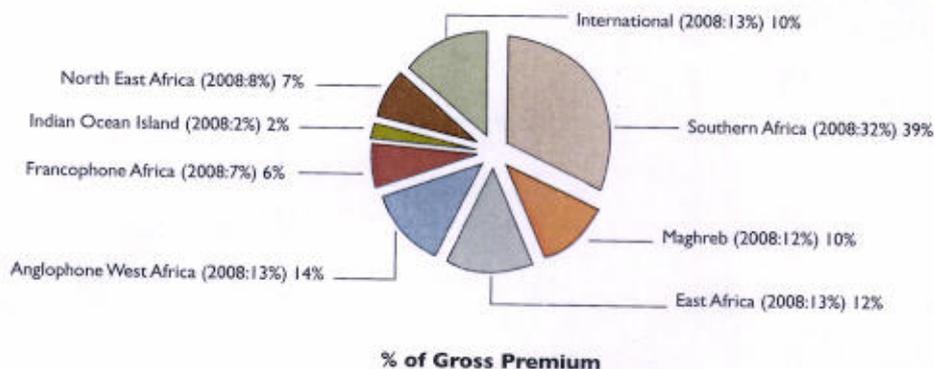
The predominantly French speaking regions of West and Central Africa which, for Geographical convenience also include Portuguese speaking Guinea Bissau and Cape Verde, are served from Abidjan. The location posted an income of US\$30.37 million compared with last year's US\$27.81 million, representing 5.66% of Africa Re's corporate production. The growth over 2008 income was due to the US\$1.82 million increase in acceptances at constant rate of exchange as well as the US\$0.75 million resulting from exchange rate fluctuations.

African Indian Ocean Islands

This region, of four African island nations, operating from Port Louis increased its production income from US\$10.20 million in 2008 to US\$13.02 million in 2009 representing 2.43% of the Corporation's turnover. While the Malagasy Ariary depreciated by 5.38%, the Mauritian Rupee and Seychelles Rupee appreciated by 4.41% and 32.25% respectively against the US Dollar during the period under review. Thus exchange rate fluctuations were responsible for 21.01% of the increase over last year while the balance came from increases in treaty acceptances.

International Business

Africa Re's international business income reduced from US\$54.91 million in 2008 to US\$52.89 million in 2009. The 2009 production translates to 9.87% of corporate income. The 3.66% fall in income was due to the Cairo office reducing its facultative exposures in the Middle East as a matter of policy.



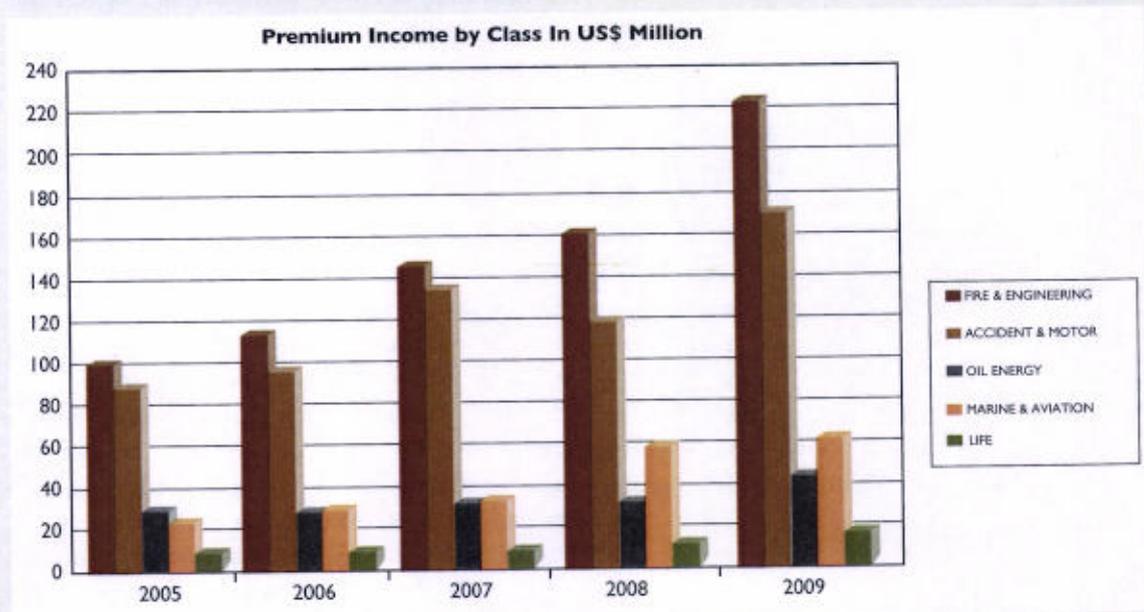


SECTORAL DISTRIBUTION

The Fire and Engineering classes continued to lead Africa Re's production income to the tune of US\$223.43 million representing 42.33% of corporate turnover as against US\$166.86m or 41.61% in 2008. This was followed by the Accident and Motor classes which stood at US\$176.75 million or 32.95% of corporate income (2008: US\$122.35 million or 30.51%).

The Marine and Aviation classes came third with US\$67.12 million or 12.51% (2008: US\$61.91 million or 15.44%). This was followed by the Oil & Energy and the Life classes with US\$50.31 million and US\$18.77 million respectively as against US\$37.85 million and US\$12.07 million in the previous year. Income from the Oil & Energy and Life classes represent 9.38% and 3.50% of corporate production (2008: 9.44% and 3.00%).

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



INVESTMENT INCOME

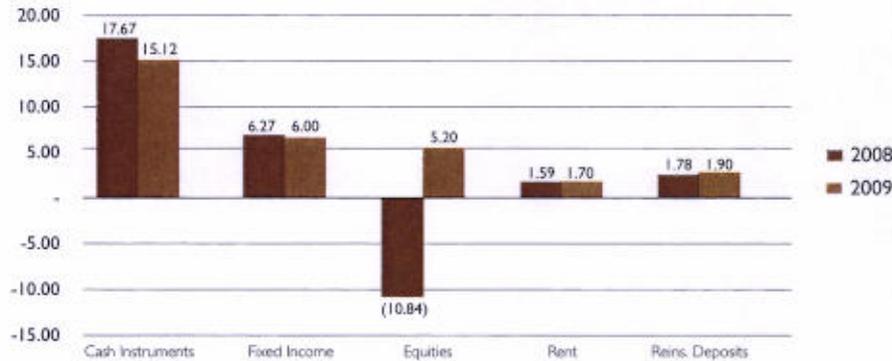
Portfolio Performance

Following the crisis that shook financial markets to the core in 2007/2008, the year under review was marked by a series of extraordinary themes. While it heralded the onset of what appears to be a statistical recovery, unemployment remains worryingly high in the United States and other developed nations. As the impact of the massive efforts by policy makers across the world to stabilize the global financial system and reflate the real economy began to filter through, the year witnessed the most impressive rally in equity and credit markets seen in the last 70 years. This development enabled the Corporation to recoup a substantial part of the marked-to-market losses recorded on its modest equity portfolio in 2008.

Accordingly, total investment income for the year amounted to US\$29.93 million, representing an increase of 82%, compared to the US\$16.47 million achieved in the previous year. The key driver of this performance is the equity class which rebounded strongly to produce a robust gain of US\$5.2 million compared to a loss of US\$10.84 million suffered in 2008. Cash and cash equivalents generated a return of US\$15.12 million compared to US\$17.67 million last year, while income on bonds and other fixed interest instruments was relatively flat at US\$6.00 million (2008: US\$6.27 million). Interest earned on reinsurance deposit and rental income increased by 7% from US\$3.37 million to US\$3.59 million over the same period.



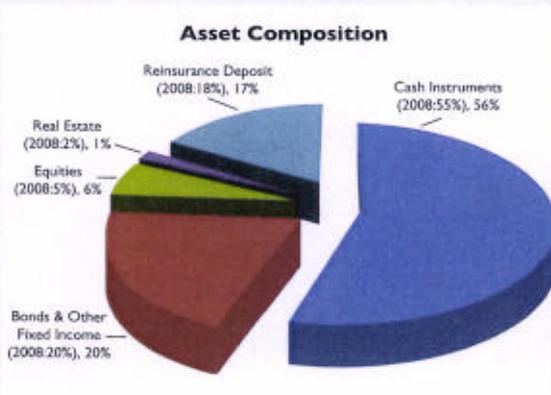
Investment Income by Asset Class in US\$ Million



Total investment portfolio at the end of the year stood at US\$654.21 million compared to US\$534.64 million as at 31 December 2008. The 22% increase derived from the strong operational cash flow surplus generated during the year, robust investment income and the currency translation gain on the non-US Dollar portfolio, especially the South African Rand which appreciated against the greenback by 20.35%.

There were no significant changes to the Corporation's asset composition during the year. Indeed, as in the previous years, emphasis continued to be placed on liquidity and security. As a result, the portfolio remained strongly tilted toward cash instruments, accounting for 56% (2008: 55%) and held by several top-rated counterparty banks and in short term treasury bills.

Bonds and other fixed income stabilised at 20% while the equity portfolio recorded a slight increase from 5% in 2008 to 6% at the end of the year. The change in the equity portfolio was due more to the unrealised gain of US\$6million than the additional allocation to private equity portfolio of US\$3.4 million.



Long Term Investments

In pursuance of the Corporation's objective of supporting inter-African trade as a vehicle to promote the economic development of the continent, the Board of Directors approved Africa Re's participation in the capital of the African Trade Insurance Agency, an inter-governmental credit insurance institution promoted by the World Bank and owned by several African States, national and international organisations. As a result, the Corporation's total commitment to private equity investments as of December 31, 2009 amounted to US\$16.87 million (2008 : US\$16.77 million) invested in 12 companies, made up of three (3) international development finance institutions, three (3) insurance companies, a pension fund administration company, four (4) privately managed equity funds and a private healthcare facility.

Cumulative disbursements in respect of the private equity portfolio stood at US\$7.75 million (2008: US\$ 4.66 million), following capital calls by the Atlantic Coast Regional Fund and the Emerging Capital Partners Africa Fund III. On a net asset basis, the portfolio was valued at US\$9.19 million as at 31 December 2009 (2008: US\$6.61 million) and gives a multiple of 1.3 times invested capital.

As in the previous year, Afreximbank, Shelter Afrique, Allianz Assurance Vie (former AGF) of Cameroon and CAPE II continued with dividend payments. An amount of US\$319,209 (2008: US\$89,333) was received from them 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 increased by 6.8% to US\$1.70 million compared to the US\$1.59 million recorded in 2008, essentially due to the rent increase in Nairobi.

Equities

The dramatic plunge in the US stock market in March was followed by one of the most significant and sustained equity rallies since the Great Depression. From the first quarter through mid-December 2009, the S&P 500 rallied more than 60% to end the year with a return of 26.5% compared to a loss of 37% in 2008, while the Russell 1000 index gained 28.43% in 2009 as against a loss of 37.6% last year. Similarly, the MSCI Euro, which tracks the performance of European stocks produced a gain of 36.8% compared to a loss of 46.1% the previous year, as the United Kingdom (43.4%), France (33.3%) and Germany (26.6%) generated improved results for the year.

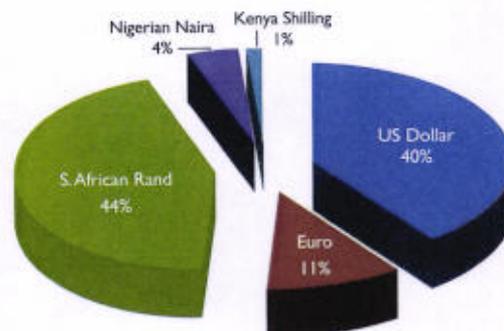
Even though the real star of 2009 was the emerging market which overcame a loss of 53.2% in 2008 to turn in a stunning performance of 79.0% for the current year, African stock markets recorded mixed fortunes. While the South African JSE 40 and Egyptian CASE 30 recovered from the losses of 22.1% and 52.4% suffered last year to generate returns of 31.7% and 39.2% respectively in original currency, the Nigerian ASI and Kenyan NSE 20 remained in the red, losing 33.8% (2008: 48.8%) and 7.8% (2008: 37.8%) respectively.

In line with the overall recovery in the stock markets, the Corporation's actively managed equity portfolio in Africa, Europe and North America produced a gain of US\$5.21 million compared to a loss of US\$10.84 million in 2008. While dividend income was relatively stable at US\$1.04 million (2008: US\$1.10 million), the portfolio generated a realized/unrealized gain of US\$4.28 million compared to a loss of US\$11.80 million last year.

In all, the North American portfolio posted a gain of 23.77%, slightly outperforming the blended benchmark index of 23.06%, whilst the European portfolio, which produced a return of 27.63%, underperformed the MSCI Euro benchmark. The South African and Nigerian local currency portfolios performed very well, achieving positive returns of

32.07% and 18.4% and beating their respective benchmarks of 31.7% and minus 33.8%. Only the Kenyan portfolio lost 1.7% but still outperformed the benchmark which declined by 7.8%.

Currency Composition of Active Equity Portfolio



Bonds and Other Fixed Income

The bonds and other fixed rate portfolio recorded yet another solid and consistent result during the year with an income of US\$6.00 million (2008: US\$6.27 million), despite the not-so impressive performance of the global bond market. The yield on average investment remained strong at 4.99%, even though it deteriorated compared to 6.31% recorded in 2008.

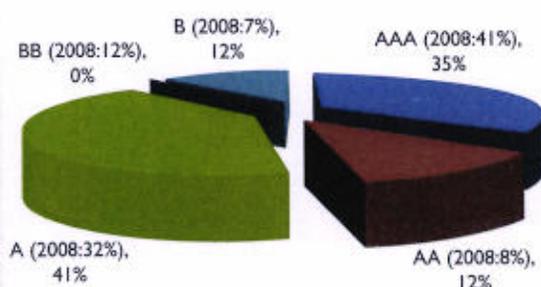
The performance of the professionally managed North American US Dollar bond portfolio posted a yield of 3.08%, compared to the benchmark index return of 5.43%, while the performance of the South African Rand portfolio was also muted at 3.11%, although it still outperformed the benchmark BEASSA 3-7 year index return of 2.80%. The internally managed held-to-maturity portfolio recorded a significant improvement, on the back of the creation of a new portfolio in South Africa, where the combination of higher yield and stronger Rand resulted in a 77.8% increase in income from US\$3.02 million in 2008 to US\$5.37 million.

Given the current global financial market conditions, the Corporation continued to place much emphasis on security and liquidity. Accordingly, the overall portfolio remained well diversified across sectors, issues, maturities, markets and managers. Average duration is still less than five years, while weighted average rating stood at A+. The proportion of AAA rated securities declined from 41% of the portfolio



in the previous year to 35%, while AA increased to 12% from 8% last year due to the general wave of securities downgrade by the rating agencies. The non-investment grade bonds are however African sovereign and corporate issues which the Corporation holds in line with its developmental mandate. Management will continue with the conscious effort to increase allocations to higher rated securities to restore the average portfolio rating to the target AA level.

Rating Analysis of Bonds



Cash Instruments

Despite the treasury and other benchmark rates continuing to hover near historical lows in most developed markets during the period under review, cash and cash equivalents remained a significant contributor to overall investment return. As expected, income from this asset class reduced by 14% from US\$17.67 million last year to US\$15.12 million, representing a yield of 4.58% (2008: 5.92%).

The performance is largely attributable to increased liquidity and relatively higher interest rates on African currencies, especially in South Africa which accounts for more than one-third of the portfolio and where Rand inter-bank rate was still 6.7% in December 2009 compared to the US Fed funds rate of 0.25%.

Other Operating Income

Fees from the management of the African Oil & Energy and Aviation insurance pools amounted to US\$1.27 million, which is an increase of 20% over the US\$1.06 million earned in 2008. As in the previous year, the performance reflects similar growth in premium written by the pools during the year, as the fee is linked to the level of premium.

OUTGO

Losses

The total claims paid increased from US\$195.62 million in 2008 to US\$289.28 million in 2009. The claims paid ratio deteriorated from 48.78% in 2008 to 53.93% in 2009. Incurred losses which further includes movement in outstanding claims provision (US\$33.05 million as against US\$49.31 million in 2008), amounted to US\$322.33 million (US\$244.93 million in 2008).

The following table further provides insights into above mentioned indicators.

Gross Loss Ratio by Class - Financial Year 2009

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)	249.14	379.26	65.69	21.50	33.36	64.45	270.64	412.63	65.59
Marine & Aviation	32.07	67.58	47.45	13.15	17.60	74.72	45.22	85.18	53.09
Life	6.24	16.2	38.52	0.23	0.48	47.92	6.47	16.67	38.81
Total	287.45	463.04	62.08	34.88	51.44	67.81	322.33	514.48	62.65



Loss Experience by Trading Area

The South African production centre (run-off and subsidiary) gross incurred loss ratio reduced from 74.36% in 2008 to 71.09% in 2009, while its net incurred loss ratio also reduced from 76.66% to 73.47% during the same period. A series of medium-sized losses emanating mainly from one account which has since been cancelled was responsible for the high claims ratios.

The settlement of the material damage part of the major Fire loss involving the Nigerian Bottling Company, in Benin city, Nigeria (Date of Loss: 18/12/2008) by US\$ 13.84 million in 2009 contributed to the increase of the gross incurred claims ratios in 2009 of Anglophone West Africa to 56.12% (2008: 51.06%). However, the net incurred claims ratio reduced to 60.42% (2008: 64.39%) because of the amount recoverable from the retrocessionaires.

In East Africa, the incurred loss ratios (gross and net) reduced from 46.62% and 50.82% in 2008 to 41.03% and 41.62% respectively in 2009.

The Maghreb region's gross loss ratio rose from 50.96% in 2008 to 57.51% in 2009, while its net ratio also increased from 55.88% to 62.02%. The deterioration in loss ratios in 2009 was due to the increase in outstanding claims provisions including two losses in the Energy and Property classes which occurred in Libya.

The incurred loss ratios of North East Africa reduced from a gross of 78.46% (net: 82.85%) in 2008 to 62.89% (net: 67.68%) in 2009 as the region focused more on treaty exposures.

The Francophone West and Central Africa gross incurred claims ratio which was 45.97% in 2008 increased to 58.71% in 2009, while the net claims ratio also rose from 49.86% in 2008 to 60.73% in 2009. The region was affected by three losses in the Energy and Property classes (two in Gabon and one in Cote D'Ivoire).

The claims experience of the African Indian Ocean Islands increased from a gross ratio of 39.08% (net: 40.57%) in 2008 to 67.63% (net: 70.99%) in 2009 due to the outstanding claim of US\$3.8 million on the Hassamal Fire claim (DOL: 11/10/2009) in Mauritius.

The gross and net incurred loss ratios of the international operations improved from 71.45% and 71.64% to 67.81% and 68.36%. The main reason for the reduction in claims ratios is the decision to reduce Middle East facultative exposures which impacted negatively on the books of the International operations in 2008.

Commission and Charges

During the period under review, gross commission and charges including movement in deferred acquisition costs amounted to US\$126.56 million (2008: 104.13m), while recoveries from retrocessionaires stood at US\$5.09 million (2008: US\$4.89m). As a result, net commission and charges increased from US\$99.24 million in 2008 to US\$121.47 million in 2009.

RESULTS OF THE 2009 FINANCIAL YEAR

Gross written premium grew by 33.75% to cross the half billion Dollar mark for the first time in the history of the Corporation, reaching a level of US\$ 536.38 million compared to the US\$401.04 million reported in 2008. The Corporation will continue to leverage on its rating upgrade to pursue opportunities to grow the business portfolio, while remaining committed to its core principle of strict and disciplined underwriting for profit and not merely market share.

Similarly, premium ceded to retrocessionaires increased by 37.3% from US\$35.86 million last year to US\$49.23 million, representing a retention ratio of 90.66% (2008:91.06%). There has not been any significant change in the Corporation's retrocession policy as it continues to rely on Excess of Loss programmes to protect the traditional



acceptances, while purchasing additional covers for the major oil and petrochemical as well as other special risks.

Adjustment for the movement in the provision for unearned premiums, net of retrocessionnaires' share thereof, produced a net earned premium of US\$ 466.42 million (2008: US\$357.90 million).

Claims paid in 2009 amounted to US\$ 289.28 million compared to US\$195.62 million in 2008. The 47.88% increase was due to the settlement of a major market loss in Nigeria, unacceptably high level of claims on an account in South Africa which was subsequently cancelled by the Corporation as well as losses on energy and property classes in Gabon and Côte d'Ivoire. Of the total losses paid, US\$7.70 million (2008: US\$5.92 million) was recovered from retrocessionnaires, resulting in net losses paid of US\$ 281.59 million as against US\$189.70 million in 2008. The adjustment for the movement in the outstanding claims (including IBNR) provisions resulted in a net incurred loss of US\$ 306.39 million compared to US\$239.59 million recorded in 2008, representing a claims ratio of 65.69% as against 66.94% in 2008.

Management expenses for the year stood at US\$22.84 million, representing an increase of 31.33% over US\$17.39 million incurred in 2008. Due to the acute shortage of, and attendant stiff competition for, high quality talents in the industry as a whole and across the continent, the Corporation was not only finding it difficult to attract the right skills, but also to retain its well trained professionals. In order to redress the situation and ensure that Africa Re is better able to recruit, motivate and retain desired talents, the Board of Directors approved major changes to improve the structure and quantum of salary and allowances. The combination of the remuneration review and recruitment of additional staff to cope with the increasing volume and complexity

of business, coupled with the high energy cost in the Head Office and currency appreciation in South Africa, led to the increase in management expenses compared to last year. It should however be highlighted that all expense items remain well within approved budget, while the core management expenses, strictly speaking, were contained within universally accepted norms.

Following the recovery of the global financial markets in the second half of 2009, income earned by the Corporation from investment and other sources, including interest on reinsurance deposits and fee income, increased by 77.3% to US\$31.29 million compared to US\$17.65 million achieved in 2008.

Consequently, profit after tax for the year more than doubled from US\$20.41 million in 2008 to US\$ 44.30 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\$ 22,150,382 to the General Reserve in accordance with Resolution No. 4/1992;
- US\$2,500,000 to be paid as dividend at the rate of US\$2.50 (2008:US\$2.25) 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\$18,850,380 to be added to retained earnings.



Statement of Management Responsibility

African Reinsurance Corporation



AFRICAN REINSURANCE CORPORATION SOCIÉTÉ AFRICAINE DE REASSURANCE (AFRICA RE)

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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



Group photograph of Members of the Board of Directors





Deloitte.

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EXTERNAL AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AFRICAN REINSURANCE CORPORATION

Report on financial statements

We have audited the accompanying financial statements of African Reinsurance Corporation set out on pages 26 to 56 which comprise the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

The 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with 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 our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered the internal controls relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the Corporation's internal controls. 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 accompanying financial statements give a true and fair view of the state of financial affairs of the Corporation as at 31 December 2009 and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche
Certified Public Accountants (Kenya)

12 April 2010
Nairobi, Kenya



Consolidated Statement of Financial Position

African Reinsurance Corporation

at 31 December 2009

	Notes	2009 US\$'000	2008 US\$'000
Assets			
Cash and cash equivalents		38,795	24,450
Investments	4	606,118	500,890
Premium income receivable		20,064	15,368
Deferred acquisition costs	5	28,980	22,416
Reinsurance receivables	6	98,821	91,607
Retrocessionaires' share of technical provisions	7	17,713	8,085
Sundry receivables		3,750	2,078
Investment properties	8	9,064	9,295
Property and equipment	9	12,712	12,668
Total assets		836,017	686,857

These consolidated financial statements were authorized for issue by the Board of Directors of the Corporation on 12 April, 2010 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.



	Notes	2009 US\$'000	2008 US\$'000
Liabilities			
Current income tax		-	160
Sundry payables		18,393	8,764
Reinsurance payables	10	66,609	65,428
Deferred tax	11	244	60
Technical provisions	12	470,372	388,725
Total liabilities		555,618	463,137
Shareholders' equity			
Retained earnings		70,161	51,060
Other reserves	13	96,788	59,227
Share premium		13,450	13,433
Share capital	14	100,000	100,000
Total shareholders' equity		280,399	223,720
Total liabilities and shareholders' equity		836,017	686,857

These consolidated financial statements were authorised for issue by the Board of Directors of the Corporation on 12 April, 2010 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 2009

	Notes	2009 US\$'000	2008 US\$'000
Gross earned premium	15	514,483	393,463
Less: retrocession premium		(48,067)	(35,566)
Net earned premium		466,416	357,897
Investment income	16	29,931	16,471
Commissions earned under retrocession arrangements		4,758	4,597
Other operating income	17	1,360	1,176
Total income		502,465	380,141
Net claims incurred	18	(306,391)	(239,590)
Acquisition expenses		(126,233)	(103,841)
Administrative expenses	19	(22,842)	(17,392)
Finance costs – exchange (losses) / gains		(860)	1,176
Profit before income tax		46,139	20,494
Income tax expense	20	(1,838)	(88)
Profit for the year		44,301	20,406

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

Consolidated Statement of
Comprehensive Income

for the year ended 31 December 2009



	2009 US\$'000	2008 US\$'000
Profit of the year	44,301	20,406
Other comprehensive income /(loss)		
Exchange differences on translating foreign operations	13,809	(22,960)
Net fair value gain/(loss) on available-for-sale-financial assets	802	(778)
Total other comprehensive income	14,611	(23,738)
Total comprehensive income / (loss) for the year	58,912	(3,332)

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



Consolidated Statement of Changes in Equity

for the year ended 31 December 2009

	Retained earnings US\$ '000	Trans- lation reserve US\$ '000	General reserve US\$ '000	Reserve for Market Value Adjustment US\$ '000	Reserve for exchange fluctuation US\$ '000	Reserve for loss fluctuation US\$ '000	Share premium US\$ '000	Share capital US\$ '000	Total US\$ '000
At 1 January 2009	51,060	(18,923)	67,834	(778)	6,294	4,800	13,433	100,000	223,720
Total comprehensive income for 2009	44,301	13,809	-	802	-	-	-	-	58,912
Appropriation:									
Premium on share transfer	-	-	-	-	-	-	17	-	17
Dividend declared on 2008 accounts	(2,250)	-	-	-	-	-	-	-	(2,250)
Transfer to reserves	(22,950)	-	22,150	-	-	800	-	-	-
At 31 December 2009	70,161	(5,114)	89,984	24	6,294	5,600	13,450	100,000	280,399

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



Consolidated Statement of Changes in Equity

for the year ended 31 December 2008

African Reinsurance Corporation

	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
Total comprehensive income for 2008	20,406	(22,960)	-	(778)	-	-	-	-	(3,332)
Appropriation:	(3,750)	-	-	-	-	-	-	-	(3,750)
Dividend declared on 2007 accounts	(11,003)	-	10,203	-	-	800	-	-	-
Transfer to reserves	-	-	-	-	-	-	-	-	-
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 Cash Flows

African Reinsurance Corporation

for the year ended 31 December 2009

	Notes	2009 US\$'000	2008 US\$'000
Cash flows from Operating activities			
Cash generated from operations	22	88,672	42,589
Income tax paid		(1,814)	(530)
Net cash from operating activities		86,858	42,059
Cash flows from Investing activities			
Purchase of property and equipment		(1,230)	(1,621)
Purchase of investments		(84,152)	(13,632)
Proceeds from disposal of property and equipment		39	22
Net cash used in investing activities		(85,343)	(15,231)
Cashflows from Financing activities			
Proceed from transfer of shares		17	-
Dividends paid		(1,798)	(3,190)
Net cash used in financing activities		(1,781)	(3,190)
Net (decrease) / increase in cash and cash equivalents		(266)	23,638
Movement in cash and cash equivalents:			
At start of year		24,450	22,994
Net (decrease) / increase as above		(266)	23,638
Exchange gains / (losses) on liquid assets		14,611	(22,182)
At end of year		38,795	24,450

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



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 (SouthAfrica) Limited, a company incorporated in the Republic of South Africa.

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

2.1. Standards, amendments and interpretations effective in the current financial period

The following standards, amendments and interpretations, which became effective in 2009 are relevant to the Corporation:

IFRS 7: Improving disclosures about financial instruments

The IASB published amendments to IFRS 7 in March 2009. The amendment requires enhanced disclosures about fair value measurements and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures but does not have an impact on the financial position or the comprehensive income of the corporation.

IFRS 8: Operating Segments

IFRS 8, 'Operating segments', replaces IAS 14, 'Segment reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The segments will be reported in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. The application of IFRS 8 does not have any material effect on the corporation's financial statements.

IAS 1: Presentation of financial statements

IAS 1 (revised 2007) has introduced changes to the format and content as well as terminology used for financial statements. It also requires that non-owner changes in equity are now disclosed in a separate statement of comprehensive income, while the statement of changes in equity will only contain those changes in equity arising from transactions with the owners in their capacity as owners. As a result, in addition to the regular income statement, the Corporation has now added a statement of comprehensive income to report the non-owner changes in equity. The Corporation also elected to use the titles of 'statement of financial position' and 'statement of cash flow' to describe the 'balance sheet' and "cash flows statement" respectively.



Notes to the Financial Statements

African Reinsurance Corporation

for the year ended 31 December 2009

According to the amendment of IAS 1 in January 2008, each component of equity, including each item of other comprehensive income, should be reconciled between carrying amount at the beginning and the end of the period. The adoption does not have any impact on the retained earnings.

The following standards and interpretations became effective in 2009, but are not relevant to the Corporation's operations;

- IFRS 2 Share-based payment - Vesting conditions and cancellations
- IAS 23 Borrowing costs
- IAS 32 and IAS 1 Puttable financial instruments and obligations arising on liquidation
- IFRIC 13 Customer loyalty programmes
- IFRIC 16 Hedges of a net investment in a foreign operation

2.2. Standards and interpretations issued but not yet effective

The following standards and interpretations have been issued and are effective for accounting periods beginning on or after 1 July 2009:

- IFRS 1 and IAS 27 Cost of an investment in a subsidiary, jointly controlled entity or associate
- IFRS 3 Business combinations
- IFRS 9 Financial Instruments part 1: classification and measurement
- IAS 27 Consolidated and separate financial statements
- IAS 39 Financial instruments: recognition and measurement – eligible hedged items
- IFRIC 17 Distribution of non-cash assets to owners
- IFRIC 18 Transfers of assets from customers

2.3. Early adoption of standards

The Corporation did not early-adopt new or amended standards in 2009.

3. Summary of significant accounting policies

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

(a) Basis of preparation

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 wholly owned 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 reporting date. In addition, the income statement includes estimates for premium, claims and charges data that were not received from ceding companies at the date of the financial statements.

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

(d) Classification of insurance contracts

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

(e) Recognition and measurement of insurance contracts

Short-term insurance contracts are accounted for on an annual basis. The Group also account 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 cedant for contracts in force at the end of the period. Where statements of insurance contract accounts have not been received at year-end, pipeline premiums are estimated on the basis of the latest available information. An estimate is made at the reporting date to recognise retrospective adjustments to premium or commission. Premium relating to the expired risk period is taken as earned and recognised as revenue for the period while premium relating to the unexpired risk period is treated as a provision for unearned premium.

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

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

The portion of gross written premium on short-term insurance contracts, which is estimated to be earned in the following or subsequent years, is accounted for as unearned premium provision. This is computed separately for each contract at the reporting 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.



Notes to the Financial Statements

African Reinsurance Corporation

for the year ended 31 December 2009

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

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

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

(v) Claims arising from long-term insurance contracts

Claims incurred in respect of long-term insurance contracts consist of claims arising during the year including provision for

policyholder liabilities. Outstanding claims on long-term insurance contracts that have occurred at the reporting date and have been notified to the Corporation by the cedants are carried at the claim amounts advised by the cedants.

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

(f) Properties and equipment

Properties 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 costs 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 reporting date and adjusted if appropriate.



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

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

(g) Intangible assets

(i) Computer software

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

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

(ii) Deferred acquisition costs

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

(h) Investment properties

Properties 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 or 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.



Notes to the Financial Statements

African Reinsurance Corporation

for the year ended 31 December 2009

iv) Available-for-sale

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

(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 statement of financial position on a gross basis.

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

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

(k) Cash and cash equivalents

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 statement of comprehensive income. Translation differences on equities held at fair value through profit or 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 statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- b) income and expenses for each profit and loss account are translated at average exchange rates (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 income statement in the year to which they relate.

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

Other employee benefits

The estimated monetary liability for employees' accrued annual leave entitlement

at the reporting date is recognised as an expense accrual. Other employee benefits are recognised when they accrue to employees.

(o) Income tax

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

Tax is recognised as an expense / (income) and included in the income statement, 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 reporting 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 a 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 2009

	2009 US \$'000	2008 US \$'000
4 Investments		
i) Investments by category		
Bank deposits	325,808	270,979
Deposits with ceding companies	111,072	93,663
Fixed rate securities at fair value through profit or loss	49,554	41,809
Fixed rate securities held to maturity	67,068	41,202
Floating Rate Securities at cost	15,397	25,649
Quoted equity investments at fair value through profit or loss	29,469	23,235
Unquoted equity investments at cost less impairment	7,750	4,353
	606,118	500,890

Investments held to maturity are presented in the Group's statement of financial position at their amortized costs. The fair value of the held- to- maturity assets at 31 December, 2009 was US\$66,399,418 (2008: US\$41,148,257).

Unquoted equity investments with a cost of US\$ 8,054,372 (2008: US\$4,657,555) are 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

	2009 %	2008 %
Interest-bearing investments denominated in:		
US Dollars	3.44	3.36
Euro	3.57	3.83
South African Rand	8.35	11.26

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

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

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



	31/12/2009			Total US\$'000
	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	
Financial assets at fair value through profit or loss				
Non-derivative financial assets held for trading	76,688	-	-	76,688
Available-for-sale financial assets				
Redeemable notes	2,335	-	-	2,335
Total	79,023	-	-	79,023
			2009 US \$'000	2008 US \$'000
5 Deferred Acquisition Costs				
Balance at 1 January			22,416	22,540
Exchange Rate impact on opening balance			1,271	(1,932)
			23,687	20,608
Released during the year			(23,687)	(20,608)
Deferred during the year			28,980	22,416
At 31 December			28,980	22,416
6 Reinsurance receivables				
Gross Receivables arising from reinsurance arrangements			111,813	99,179
Provision for impairment			(12,992)	(7,572)
			98,821	91,607
Comprising:				
Current portion			52,655	61,369
Non-current portion			46,166	30,238
			98,821	91,607
7 Retrocessionaires share of technical provision				
Claims recoverable			13,599	5,139
Deferred retrocession premium			4,114	2,946
			17,713	8,085



Notes to the Financial Statements

African Reinsurance Corporation

for the year ended 31 December 2009

	2009 US \$'000	2008 US \$'000
8 Investment properties		
Cost		
At 1 January	10,475	10,475
Depreciation		
At 1 January	1,180	1,006
Charge for the year	231	174
At end of year	1,411	1,180
Net book value	9,064	9,295
The following amounts have been recognised in income statement in respect of investment properties:		
Rental income	1,700	1,592

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

At 30 July, 2009, the market value of the Headquarters building was estimated at US\$ 21.13 million (net book value: US\$7.06 million) based on a valuation by Knight Frank, a firm of Estate Surveyors.



9 Properties 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 2009:					
Net book value at 1 January 2009	1,165	7,755	3,382	366	12,668
Additions	230	160	574	266	1,230
	1,395	7,915	3,956	632	13,898
Reclassifications/Transfers	(363)	333	30	-	-
Disposals (Cost)	-	-	(79)	(122)	(201)
Disposals (Accumulated Depreciation)	-	-	79	102	181
Depreciation	-	(174)	(816)	(176)	(1,166)
Net book value at 31 December 2009	1,032	8,074	3,170	436	12,712
Comprising:					
Cost	1,032	9,580	9,764	1,016	21,392
Accumulated depreciation	-	(1,506)	(6,594)	(580)	(8,680)
	1,032	8,074	3,170	436	12,712
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
Disposals (Cost)	-	-	(54)	(87)	(140)
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

Included in buildings and freehold land is a total amount of US\$4,602,209 (2008:US\$4,714,682) representing the carrying amount of the owner-occupied part of Group's headquarters building in Lagos and regional office buildings in Nairobi and Casablanca.

10 Reinsurance payables

	2009 US\$'000	2008 US\$'000
Payables under reinsurance arrangements	57,211	43,864
Payables under retrocession arrangements	9,398	21,564
	66,609	65,428



Notes to the Financial Statements

African Reinsurance Corporation

for the year ended 31 December 2009

11 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:

	2009 US\$'000	2008 US\$'000
At 1 January	60	777
Exchange Rate impact on opening balance	15	(202)
Statement of comprehensive income charge /(credit) (Note 20)	169	(515)
At 31 December	244	60

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

	01.01.09 US \$'000	Charged to P/L US \$'000	31.12.09 US \$'000	31.12.08 US \$'000
Property and equipment	(4)	(16)	(20)	24
Unrealised gain on revaluation of investments	64	185	249	238
Exchange Rate impact on opening balance	15	-	15	(202)
Net deferred tax liability	75	169	244	60

12 Technical provisions

i) Analysis of outstanding balances

	2009 US\$'000	2008 US\$'000
Provision for reported claims	308,233	261,609
Provision for Claims incurred but not reported	45,897	38,402
Cumulative translation reserve	4,281	4,281
Total outstanding claims	358,411	304,292
Provision for Unearned premium	111,961	84,433
	470,372	388,725
Comprising:		
- current portion	209,347	179,076
- non-current portion	261,025	209,649
	470,372	388,725



Notes to the Financial Statements

African Reinsurance Corporation

for the year ended 31 December 2009

ii) Analysis of outstanding claims reserve development

U/W YR	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
	US\$'000									
Gross outstanding claims reserve	31,875	59,963	64,604	134,312	135,573	148,915	137,391	184,340	179,076	209,347
Gross paid (Cumulative):										
1 year later	18,278	26,429	31,313	51,705	57,284	62,705	67,544	101,635	129,787	
2 years later	24,285	41,756	46,869	108,364	82,214	84,301	103,671	150,639		
3 years later	26,975	45,040	51,766	120,900	88,984	94,188	120,671			
4 years later	28,063	47,619	54,390	126,063	96,259	102,347				
5 years later	29,914	49,086	55,970	130,004	101,007					
6 years later	31,556	50,602	63,019	131,686						
7 years later	32,588	51,105	64,921							
8 years later	32,530	51,885								
9 years later	33,074									
10 years later										
Re-estimated as of:										
Closed year	31,875	59,963	64,604	134,312	135,573	148,915	137,391	184,340	179,076	
1 year later	29,213	46,458	71,092	131,985	128,836	102,876	117,432	174,442	212,563	
2 years later	33,128	57,352	74,086	132,575	114,114	136,360	137,660	205,816		
3 years later	33,342	53,824	70,714	137,471	132,279	120,260	143,870			
4 years later	32,415	55,422	65,032	144,008	111,528	124,345				
5 years later	34,867	54,499	79,765	137,500	112,969					
6 years later	36,876	59,444	70,005	139,522						
7 years later	41,167	54,242	71,670							
8 years later	34,442	55,930								
9 years later	35,449									
10 years later										
Gross redundancy / (deficiency)	(3,574)	4,033	(7,066)	(5,210)	22,604	24,570	(6,479)	(21,476)	(33,487)	



Notes to the Financial Statements

African Reinsurance Corporation

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13 Other reserves

	2009 US\$'000	2008 US\$'000
General reserve	89,984	67,834
Reserve for exchange fluctuation	6,294	6,294
Reserve for loss fluctuation	5,600	4,800
Reserve for Market Value Adjustment	24	(778)
Translation reserve	(5,114)	(18,923)
	96,788	59,227

(i) General reserve

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

(ii) Reserve for exchange fluctuation

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

(iii) Reserve for loss fluctuation

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

(iv) Translation reserve

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

(v) Reserve for Market Value Adjustment

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.

Movements in the other reserves are shown in the statement of changes in equity on page 30.

14 Share capital

	2009 Number	2008 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
Nominal value per share	\$100	\$100

**15 Earned premium**

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

	2009			2008		
	Gross	Retro- cession	Net	Gross	Retro- cession	Net
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Fire and accident	413,113	(35,098)	378,015	298,361	(16,996)	281,365
Marine and aviation	84,697	(8,581)	76,116	83,044	(18,570)	64,474
Life	16,673	(4,388)	12,285	12,058	-	12,058
	514,483	(48,067)	466,416	393,463	(35,566)	357,897

	2009	2008
	US \$'000	US \$'000
16 Investment income		
Interest income	22,980	22,662
Interest on reinsurance deposits	1,895	1,782
Rental income	1,700	1,592
Dividends from equity investments	1,040	1,107
Realized loss on investments	(1,788)	(2,227)
Fair value gains / (loss) from investments at fair value through profit or loss	4,470	(8,089)
Management fees	(366)	(356)
	29,931	16,471

17 Other operating income

Fee income	1,272	1,063
Gain on disposal of property and equipment	19	22
Sundry income	69	91
	1,360	1,176

18 Claims incurred

	2009			2008		
	Gross	Retro- cession	Net	Gross	Retro- cession	Net
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Claims incurred by principal class of business						
Fire and Accident	272,591	(12,176)	260,415	202,095	(2,956)	199,139
Marine and Aviation	43,952	(2,584)	41,368	34,884	(2,384)	32,500
Life	5,788	(1,180)	4,608	7,951	-	7,951
Total	322,331	(15,940)	306,391	244,930	(5,340)	239,590



Notes to the Financial Statements

African Reinsurance Corporation

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19 Administrative expenses	2009	2008
	US \$'000	US \$'000
Staff costs	13,586	9,317
Auditors' remuneration	296	154
Depreciation	1,397	1,260
Impairment charge on reinsurance receivables	1,564	1,388
Operating lease rentals	238	229
Repairs and maintenance expenditure	1,110	740
Consultancy fees and expenses	418	492
Travel costs and allowances	693	627
General Assembly and Board of Directors' meetings	569	550
Others	2,971	2,635
	22,842	17,392

Staff costs include retirement benefit costs amounting to US\$1,489,673 (2008: US\$963,887).

20 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 :

	2009	2008
	US\$'000	US\$'000
Current income tax	1,669	603
Deferred income tax (Note 11)	169	(515)
	1,838	88



21 Dividends

At the Annual General Meeting (AGM) to be held on 24 June, 2010, a final dividend in respect of the year ended 31 December, 2009 of US\$2.50 (2008: US\$2.25) per share on 1,000,000 qualifying shares amounting to a total of US\$2,500,000 (2008: US\$2,250,000) is to be proposed. The dividend declared at the AGM held on 25 June 2009 was charged to shareholders' equity in these financial statements. The liability for the dividend payable on the 2009 results shall be treated as an appropriation of profit in the financial statements for the year ending 31 December 2010.

22 Cash generated from operations

Reconciliation of profit before tax to cash generated from operations:

	2009 US\$'000	2008 US\$'000
Profit before tax	46,139	20,494
Adjustments for:		
Depreciation and Amortisation	1,397	1,260
Profit on sale of property and equipment	(19)	(22)
Change in fair value of financial assets	(3,668)	8,089
Changes in:		
- reinsurance payables	73,200	25,721
- reinsurance receivables	(29,317)	(16,001)
- other payables	9,176	(214)
- other receivables	(8,236)	3,262
Cash generated from operations	88,672	42,589

23 Related party transactions and balances

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

	2009 US\$ '000	2008 US\$ '000
ii) Remuneration for key management personnel		
Directors' fees (Non executive directors)	172	145
Other remuneration (Elected members of management)		
- Salaries and other short term benefits	1,299	1,011
- Terminal benefits	329	302



24 Management of Insurance and Financial Risks

Insurance risk

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

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

The Corporation has developed a detailed underwriting manual covering risk acceptance criteria, pricing, accumulation control, authority levels, and reinsurance protection, among others. It guides the underwriters in their acceptances, on the principles of prudence and professionalism within the overall objective of diversifying the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. The priority is to ensure adherence to criteria for risk selection by maintaining high levels of experience and expertise 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

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

Interest rate risk

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

The table below analyses the Corporation's key financial assets and liabilities into relevant maturity groupings based on the remaining period at 31 December 2009 to the earlier of the repricing or contractual maturity date.



	Up to 1 year	1-2 years	2-3 years	3-4 years	Over 4 years	Total
At 31 December 2009 (IN US\$'000)						
FINANCIAL ASSETS						
Cash and cash equivalents	38,795	-	-	-	-	38,795
Reinsurance receivables	52,654	16,126	6,732	14,614	8,695	98,821
Investments:						
- Bank deposits	325,808	-	-	-	-	325,808
- Deposits with ceding companies	16,272	23,706	17,797	11,625	41,672	111,072
- Fixed rate securities at fair value	3,841	2,800	2,681	3,384	36,848	49,554
- Fixed rate securities at amortized cost	5,522	592	12,043	4,805	44,106	67,068
- Floating rate securities at cost	4,043	3,000	-	-	8,354	15,397
- Equity investments at fair value	29,469	-	-	-	-	29,469
- Equity investments at amortised cost	-	-	-	-	7,750	7,750
Total	476,404	46,224	39,253	34,428	147,425	743,734

FINANCIAL LIABILITIES						
Reinsurance payables	30,653	10,453	9,760	7,377	8,366	66,609
Outstanding claims	113,108	86,875	62,505	26,344	69,579	358,411
Total	143,761	97,328	72,265	33,721	77,945	425,020

	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 amortized 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
- Equity investments at fair value	23,235	-	-	-	-	23,235
- Equity investments at amortised cost	-	-	-	-	4,353	4,353
Total	394,811	51,556	27,982	35,201	107,397	616,947

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



Notes to the Financial Statements

African Reinsurance Corporation

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Currency risk

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

The group had the following significant foreign currency positions at 31 December.



Notes to the Financial Statements

for the year ended 31 December 2009

African Reinsurance Corporation

At 31 December 2009: (in US\$'000)

ASSETS

	USD	Rand	MAD	CFA/EUR	EGP	NGN	KSH	MUR	OTHERS	TOTAL
Cash and cash equivalents	23,473	632	4,732	3,469	489	2,385	461	1,265	1,889	38,795
Reinsurance receivables	29,927	10,021	5,723	18,281	3,639	11,614	6,735	1,745	11,136	98,821
Investments:										
- Bank deposits	66,939	146,436	5,111	20,897	3,609	1,787	6,685	8,210	66,134	325,808
- Deposits with ceding companies	10,751	6,416	27,021	31,009	6,438	13	1,044	89	28,291	111,072
- Fixed rate securities at fair value	22,590	19,137	-	4,171	-	-	-	-	3,656	49,554
- Fixed rate securities at amortised cost	51,835	11,216	-	4,017	-	-	-	-	-	67,068
- Floating rate securities at cost	15,397	-	-	-	-	-	-	-	-	15,397
- Equity investments at fair value	11,792	12,849	-	3,250	-	1,232	345	-	-	29,468
- Equity investments at amortised cost	7,113	-	-	-	-	637	-	-	-	7,750
Total	239,817	206,707	42,587	85,094	14,175	17,668	15,270	11,309	111,106	743,733

LIABILITIES

Reinsurance payables	25,095	11,272	3,806	6,783	850	1,532	699	278	16,294	66,609
Outstanding claims	42,502	101,909	26,844	42,552	6,018	12,590	14,402	10,606	100,988	358,411
Total	67,597	113,181	30,650	49,335	6,868	14,122	15,101	10,884	117,282	425,020



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African Reinsurance Corporation

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

ASSETS

	USD	Rand	MAD	CFA/EUR	EGP	NGN	KSH	MUR	OTHERS	TOTAL
Cash and cash equivalents	12,473	755	1,277	5,504	48	929	281	885	2,298	24,450
Reinsurance receivables	30,124	10,087	5,761	18,401	3,663	11,691	6,779	1,757	3,344	91,607
Investments:										
- Bank deposits	109,335	105,817	7,430	25,720	2,700	5,341	2,581	4,581	7,474	270,979
- Deposits with ceding companies	7,683	2,695	23,115	26,856	5,831	14	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	1,681	767	305	10,220	65,428
Outstanding claims	74,461	85,262	19,892	31,367	7,379	11,778	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



24 Management of insurance and financial risks (continued)

Credit risk

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

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

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

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

Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in raising funds to meet commitments associated with reinsurance contracts and other obligations as and when due. The Corporation's investment guidelines prescribe minimum levels of financial assets to be held in cash and cash instruments. Cash instruments include bank deposits 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 of stocks that the Corporation has invested in. 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.

25 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.



Notes to the Financial Statements

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26 Commitments

(i) Capital commitments

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

	2009	2008
	US\$'000	US\$'000
Property and equipment	87	123

(ii) Operating lease commitments

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

	2009	2008
	US\$'000	US\$'000
Not later than 1 year	107	234
Later than 1 year and not later than 5 years	161	351
	268	585

Consolidated income statement by class of business



	Fire and accident US\$'000	Marine and aviation US\$'000	Life US\$'000	Total 2009 US\$'000	Total 2008 US\$'000
Underwriting income:					
Gross written premium	427,312	90,304	18,766	536,382	401,041
Gross earned premium	413,113	84,697	16,673	514,483	393,463
Retrocession premium	(34,214)	(10,371)	(3,482)	(48,067)	(35,566)
Net earned premium	378,899	74,326	13,191	466,416	357,897
Commissions earned	2,890	1,464	733	5,087	4,597
Gross Claims paid	(245,673)	(37,312)	(6,298)	(289,283)	(195,615)
Gross Claims incurred	(272,591)	(43,952)	(5,788)	(322,331)	(244,930)
Less retrocessionaires' share	13,928	1,516	496	15,940	5,340
Net claims incurred	(258,663)	(42,436)	(5,292)	(306,391)	(239,590)
Commissions expense	(102,391)	(20,604)	(3,567)	(126,562)	(103,841)
Management expenses	(18,320)	(3,782)	(740)	(22,842)	(17,392)
Underwriting profit	2,415	8,968	4,325	15,708	1,671
Net Investment and other income				31,291	17,647
Finance Costs – exchange losses				(860)	(1,015)
Profit before income tax				46,139	20,494
Income tax expense				(1,838)	(88)
Profit for the year				44,301	20,406

