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ALEA GROUP HOLDINGS (BERMUDA) LTD

Annual Financial Report 2008

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Financial Performance

- Insurance contracts liabilities decreased by 22.5% from $1,549.9 million at 31 December 2007 to $1,201.2 million at 31 December 2008[1].
- Investment income was $76.9 million on average invested assets of $1,374.8 million (31 December 2007: $73.1 million on average invested assets of $1,687.9 million) reflecting a change in the investment strategy adopted by the Group.
- Other operating expenses for 2008 were $41.5 million (2007: $59.7 million)
- The result of operating activities was a profit of $19.5 million (2007: a loss of $56.4 million).
- Adverse reserve development, net of reinsurance and excluding the impact of commutations and discount in the year ended 31 December 2008 was $11.8 million (2007: adverse reserve development of $29.9 million, net of reinsurance and excluding the impact of commutations and discount).
- Profit after tax in 2008 of $3.9 million (2007: loss after tax of $78.2 million) which on a per share[2,3] basis was a profit of $0.02 (2007: loss per share of $0.45).
- Net asset value of $2.34 per share compared with $2.46 per share as at 31 December 2007, including the impact of unrealised losses on investments.
- On 14 January 2008 the Group repaid all of its outstanding bank loans.
- The Company[4] received $29.5 million capital returns from operations, net of reinvestment of capital in operating companies, during 2008 (2007: $60.0 million).

Significant Events and Directorate Changes

As previously disclosed, Alea London Limited commuted a large excess of loss reinsurance contract on 11 January 2008, effective 31 December 2007. In addition, the Group prepaid its $30.0 million outstanding bank loan on 14 January 2008. Other than the details provided in the relevant notes to the Group's Annual Financial Report for the year ended 31 December 2007, these events have had no further significant effect on the financial position of the Group.

During the period, the Group announced that Mr Kirk Lusk had tendered his resignation from his positions as Group Chief Financial Officer and Chief Operating Officer and as a director of the Company and of any of its subsidiaries of which he was a director, effective 31 March 2008. Mr Carl Speck was appointed as Interim Chief Financial Officer, effective 31 March 2008 and as Chief Financial Officer, effective 18 March 2009.

During the period, the Group disclosed the resignation of Gregory Share as a non-executive director of the Company with effect from 28 July 2008, and the appointment of Constantine Darras as a non-executive director of the Company with effect from 28 July 2008.

On 18 March 2009, Constantine Darras tendered his resignation as a non-executive director of the Company with effect from 18 March 2009.

Dividend

The Company has not proposed a dividend for the 2008 financial year (2007: $nil).

Notes:

1. Except where specifically indicated all statements refer to the twelve months ended 31 December 2008 or 31 December 2007.
2. Weighted average number of ordinary shares of 173.8 million on an undiluted basis (2007: 173.8 million), 174.0 million on a diluted basis (2007: 173.8 million).
3. Basic and diluted profit per share are the same value on a rounded basis.
4. "Company" refers to Alea Group Holdings (Bermuda) Ltd only. "Group" or "Alea" refers to Alea Group Holdings (Bermuda) Ltd and all its subsidiaries.

Financial information presented herein has been prepared in accordance with International Financial Reporting Standards ("IFRS").

Your attention is drawn to the further information contained in the following sections of this document. You should read the whole of this document and not just rely on the information contained in this head line summary, which is qualified in its entirety by the further information contained elsewhere in this document.

MANAGEMENT REPORT

CHIEF EXECUTIVE OFFICER'S REPORT

2008 has been an extraordinary year across global markets, one marked by breathtaking equity losses and incredible volatility. In our sector, the financial crisis debilitated American International Group (AIG) evidencing that no company, however large its balance sheet or earnings potential, was immune. Since year-end, concerted efforts have been made by treasury departments and central banks in an attempt to stem the crisis, but a great deal of damage has already been done. The evaporation of trillions in capital has resulted in challenging times for many in the global financial sector. While this type of environment will likely create tremendous new investment opportunities, Alea is first and foremost focused on reducing risk and protecting capital through its run-off efforts, while also operating most efficiently during these volatile and unpredictable times.

In 2008 the Group made good progress, as insurance contract liabilities reduced a further $348.7 million from $1,549.9 million at 31 December 2007 to $1,201.2 million at 31 December 2008, representing a further deleveraging of our capital. Furthermore, our operating result of $19.5 million profit represents a considerable improvement over 2007 ($56.4 million loss), illustrating our continued commitment to keeping operating costs below investment income. Finally, proof our plan is working is found in the fact that in 2008 we retired our remaining bank debt through funds made available through distributions from our regulated subsidiaries. Those distributions have also enabled us to hold $28.0 million in cash at the holding company which affords us additional financial flexibility.

Despite a focused strategy to take advantage of market dislocations to strengthen investment income, we were not immune to the market turmoil. Accordingly, our operating result includes $2.6 million in other than temporary impairment charges in our portfolio of non-agency US mortgage-backed securities ('MBS') and shareholders equity is impacted by $20.2 million in unrealised losses. This $20.2 million consists of an unrealised loss of $31.6 million which arose in the first six months of the year on our portfolio of MBS and which will be amortised through the Income Statement as a result of our decision to reclassify these financial assets into the loans and receivables category and carry them at amortised cost, offset by an unrealised gain of $11.4 million in respect of our non-MBS portfolio. In February 2009, Moody's downgraded $170.1 million of option ARM securities in our MBS portfolio, in some cases directly from Aaa to Ca (see further disclosures in the Financial Review under the heading Important events that have occurred since the end of the financial year). While this is disturbing, and perhaps unprecedented, our option ARM securities as well as our other MBS securities continue to produce cash flows and we note that there are widely differing rating opinions, with Standard and Poor's generally maintaining investment grade ratings, subject to negative credit watch.

During the course of the year, we completed a number of commutation transactions that met our economic objectives, and we believe reduced volatility in our provisions for claims outstanding. In our direct insurance portfolio we closed in excess of 2,300 open claims, further reducing uncertainty in our claims provisions. Notwithstanding these efforts, we experienced some deterioration in our loss reserves which resulted in an additional strengthening totaling $11.8 million over the course of the year. The deterioration was principally in our North American direct insurance reserve portfolio, where there is no opportunity to cut off obligations through targeted commutation activity. Our total gross claims provision at 31 December 2008 is $1,240.2 million compared to $1,605.6 million at 31 December 2007, a reduction of $365.4 million.

In 2008, the Group undertook a number of initiatives to further streamline our operations and shift our operating costs to a more variable cost structure. We closed our Australian branch and moved our corporate finance functions out of Zug, closing that office. In addition, we contracted with Paragon Strategic Solutions (an AonBenfield company) to provide reinsurance technical and financial accounting services on what will ultimately be a variable cost basis to us. The Paragon outsourcing is in the implementation stage now and when fully implemented will result in a headcount reduction totaling approximately 20 full time equivalents. All of these steps were taken as part of our continuing efforts to establish an operating structure and expense equation that can scale according to the size of the reserve and asset portfolios we are managing.

2009 will undoubtedly be a challenging year as we expect to see continuing volatility in financial markets that will affect our priorities as well as those of our remaining counterparties. We believe however that the Group is well positioned to meet those challenges as we remain keenly focused on reducing expenses, further reducing insurance contract liabilities and preserving our capital, assets, and financial flexibility.

I would like to extend my thanks to our staff for their continued efforts and contributions under demanding circumstances and to our Board of Directors for their continued support and guidance in 2008.

Mark Cloutier
Chief Executive Officer
18 March 2009

FINANCIAL REVIEW

Consolidated income statement

	Year ended 31 December 2008 $'million	Year ended 31 December 2007 $'million
Gross premiums written	**12.3**	12.7
Revenue		
Premium revenue	**12.1**	17.7
Premium received from reinsurers	**2.5**	4.7
Net insurance premium revenue	**14.6**	22.4
Fee income	**0.5**	1.9
Investment income	**76.9**	73.1
Net realised losses on financial assets	**(1.4)**	(1.3)
Impairment of financial assets	**(2.6)**	-
Net realised losses on sale of renewal rights	**-**	(1.7)
Total revenue	**88.0**	94.4
Expenses		
Insurance claims and loss adjustment expenses	**6.4**	44.8
Insurance claims and loss adjustment expenses paid to reinsurers	**11.6**	34.4
Net insurance claims	**18.0**	79.2
Acquisition costs	**7.3**	10.3
Other operating expenses	**41.5**	59.7
Restructuring costs	**1.7**	1.6
Total expenses	**68.5**	150.8
Results of operating activities	**19.5**	(56.4)
Finance costs	**(13.4)**	(21.7)
Profit/(loss) before income tax	**6.1**	(78.1)
Income tax expense	**(2.2)**	(0.1)
Profit/(loss) for the year[1]	**3.9**	(78.2)

1 These results have been prepared on a going concern basis. The Directors consider this to be the appropriate basis as set forth in note 2 of the Audited Financial Statements. The Auditors have issued an unqualified opinion in their audit report with an emphasis of matter arising from significant uncertainty. For further information on this emphasis, see Important events that have occurred since the end of the financial year, below.

Performance indicators and comparison to prior years

The Group ceased underwriting new and renewal business and was placed into run-off and as a result the standard indicators used to assess the performance of participants in the insurance industry are not considered appropriate for the Group. Performance indicators that are relevant to the Group's run-off strategy are provided where these provide meaningful and useful comparisons.

Reserves and claims

At 31 December 2008 the total insurance contracts balance comprising gross claims outstanding less discount on claims outstanding, claims handling provisions and provision for unearned premiums was $1,201.2 million, a decrease of 22.5% from 31 December 2007 $1,549.9 million. The claims outstanding, net of reinsurance at 31 December 2008 was $777.9 million (31 December 2007: $1,003.1 million). Excluding the impact of the commuted Group excess of loss reinsurance treaty the change in claims outstanding, net of reinsurance was 25.5% (31 December 2007: 29.6%).

The balances are set out below:

	As at 31 December 2008 $'million	As at 31 December 2007 $'million
Gross claims outstanding		
Provision for claims outstanding, reported and not reported	**1,240.2**	1,605.6
Discount	**(48.7)**	(67.5)
	1,191.5	1,538.1
Claims handling provisions	**9.7**	11.8
Total insurance contracts	**1,201.2**	1,549.9
Aggregate excess reinsurance		
Provision for claims outstanding, reported and not reported	-	41.2
Discount	-	-
Net aggregate excess reinsurance	-	41.2
Other reinsurance		
Provision for claims outstanding, reported and not reported	**425.5**	508.6
Discount	**(2.2)**	(3.0)
Net other reinsurance	**423.3**	505.6
Total reinsurers' share of claims outstanding		
Provision for claims outstanding, reported and not reported	**425.5**	549.8
Discount	**(2.2)**	(3.0)
Total reinsurance contracts	**423.3**	546.8
Undiscounted claims outstanding, net of reinsurance	**824.4**	1, 067.6
Discount	**(46.5)**	(64.5)
Claims outstanding, net of reinsurance	**777.9**	1,003.1

Reserves and claims (continued)

The following table presents the Group's booked gross claims outstanding before claims handling provisions and before discount as at 31 December 2008 by class of business.

$'million	General liability	Motor	Workers' comp.	Professional	Property	MAT[1]	Total
1999 and prior	48.9	59.2	2.2	1.6	25.3	70.1	207.3
2000	18.7	8.7	11.1	9.1	4.7	18.2	70.5
2001	20.4	6.0	16.3	5.4	2.0	8.7	58.8
2002	19.5	4.3	4.9	9.0	5.0	3.1	45.8
2003	25.6	13.1	2.9	16.8	1.5	1.6	61.5
2004	25.8	19.4	5.2	18.8	3.3	0.1	72.6
2005	16.2	26.1	2.1	23.0	25.1	0.2	92.7
Reinsurance reserves	**175.1**	**136.8**	**44.7**	**83.7**	**66.9**	**102.0**	**609.2**
Insurance reserves	**152.6**	**38.2**	**64.5**	**22.1**	**7.4**	**-**	**284.8**
Total non-life reserves	**327.7**	**175.0**	**109.2**	**105.8**	**74.3**	**102.0**	**894.0**
Life structured settlements							**260.2**
Life reinsurance							**86.0**
Provision for claims outstanding, reported and not reported							**1,240.2**

[1] Marine, Aviation and Transport

The following table sets out Alea's gross claims outstanding distinguishing between incurred but not reported ("IBNR") and case reserves as at 31 December 2008. The insurance and reinsurance splits are in line with the Group's typical business tail and the relative maturity of the respective books.

Percentage	Total
Case reserves	47%
IBNR	53%
Total	**100%**

Adverse reserve development

During the twelve months ended 31 December 2008 the Group experienced adverse development in the reserves, net of reinsurance and excluding the impact of commutations and discount of $11.8 million (31 December 2007: adverse reserve development, net of reinsurance and excluding the impact of commutations and discount of $29.9 million).

Loss reserve discount

As permitted by IFRS 4, categories of claims provisions where the expected average interval between the date of settlement and the balance sheet date is in excess of four years may be discounted at a rate which does not exceed that expected to be earned by assets covering the provisions. As at 31 December 2008 30% (31 December 2007: 30%) of the Group's gross reserves were discounted at a rate of 4.0% (31 December 2007: 4.0%).

As at 31 December 2008 the Group's total net discount was $46.5 million (31 December 2007: $64.5 million). This is expected to reduce to zero over the duration of the normal course of payout of the reserves. The unwinding of the discount will be charged to insurance claims and loss adjustment expenses in the income statement as the remaining expected duration for each category of claims provisions drops below the level of four years as permitted by IFRS 4.

Income statement

Gross premiums written and net insurance premium revenue

Gross premiums written in 2008 were $12.3 million (2007: $12.7 million). Net insurance premium revenue decreased by 34.8% to $14.6 million in 2008 (2007: $22.4 million). This low volume results from and is to be expected due to the Group's decision in 2005 to cease writing new and renewal business.

Fee income

Fee income in 2008 was $0.5 million compared with $1.9 million recorded in the corresponding period in 2007. The fee income in 2008 represents a settlement received in North America in connection with disputed premium income.

Investment income, realised gains and losses and impairment of financial assets

Investment income in 2008 was $76.9 million, 5.2% ($3.8 million) higher than the $73.1 million recorded in 2007. The increase recorded reflects a 5.6% yield on invested assets for 2008 on average invested assets of $1,374.8 million compared with a 4.3% yield on invested assets for 2007 on average invested assets of $1,687.9 million and results from the Group's decision to increase its holdings of non-agency US mortgage-backed securities.

Net realised losses on financial assets were $1.4 million in 2008 (2007: $1.3 million realised losses) and arose as a result of the change in investment strategy and the disposal of certain investments to fund the purchase of non-agency US mortgage-backed securities.

The Group recognised an impairment to the purchase of non-agency US mortgage-backed securities of $2.6 million in 2008 (2007: $nil).

Net realised losses on sale of renewal rights

The Group completed three renewal rights transactions in the fourth quarter of 2005. These were accounted for as net realised gains on sale of renewal rights of $61.1 million. Subsequent to 31 December 2005 amounts have been recognised in the income statement to reflect changes in the estimate of fair value based on the latest financial data available. These amounts reflect the discounted estimated future cash flows arising from specified percentages of applicable commissionable premiums written over the applicable period in accordance with the terms of the sale contracts.

The table below summarises the change in the fair value of each transaction:

Transaction	**Year ended 31 December 2008 $'million**	**Year ended 31 December 2007 $'million**
London/Canopius	-	-
AAR/AmTrust	-	(1.9)
Europe/SCOR	-	0.2
Total loss	-	(1.7)

To date the Group considers that the amounts recoverable of $54.4 million derived after the adjustments booked in 2007 and 2006 are reasonable. It has received $25.7 million in cash. The outstanding balance consists of $28.2 million due from AmTrust and $0.5 million due from Canopius.

FINANCIAL REVIEW (CONTINUED)

Insurance claims and loss adjustment expenses

In 2008 the Group incurred net insurance claims and loss adjustment expenses of $18.0 million, including net adverse reserve development of $11.8 million (2007: $79.2 million, which included the impact of commuting two large outwards reinsurance agreements of $33.8 million, net adverse development of $29.9 million and a charge of $6.2 million in respect of an adjustment to the discount rate).

Acquisition costs

Acquisition costs are directly associated with the acquisition of insurance and reinsurance contracts including brokerage, commissions, underwriting expenses and other acquisition costs. They are deferred and amortised over the period of contract, consistent with the earning of premium.

In 2008 total acquisition costs were $7.3 million (2007: $10.3 million). This includes a reversal of ceded commission of $0.7 million related to a settlement made in North America in respect of disputed premium income. This is referred to in the fee income section above. Acquisition costs also include $2.4 million (2007: $2.4 million) of commission in respect of life business.

The Group has assessed its deferred acquisition cost asset ("DAC") at 31 December 2008 of $1.6 million (31 December 2007: $2.3 million) as fully recoverable and as a result has not recorded any DAC write-off in 2008.

Other operating expenses

The Group plans to minimise operating expenses while still retaining the personnel and capabilities to manage an efficient run-off of the existing book and pursue other corporate activities. To the extent that investment income net of discount on net claims outstanding released does not offset other operating expenses in relation to run-off activities, the Group will establish a run-off provision.

In 2008 other operating expenses were $41.5 million. This compares with other operating expenses in 2007 of $59.7 million.

Restructuring costs

In 2008 restructuring costs were $1.7 million (2007: $1.6 million). These consist of $0.6 million of severance payments that were not part of the restructuring provision established at 31 December 2005 and $1.1 million of additional restructuring costs that have been provided to meet the costs associated with the transfer of certain accounting functions under the Paragon outsourcing arrangement that was entered into in 2008.

Staff headcount at 31 December 2008 stood at 84 (31 December 2007: 105).

Results of operating activities

In 2008, the result of operating activities was a profit of $19.5 million compared with a loss of $56.4 million in 2007.

Finance costs

Finance costs include investment expenses, foreign exchange movements and debt interest. In 2008 total finance costs were $13.4 million, compared with $21.7 million recorded in the corresponding period in 2007. The majority of this decrease resulted from a reduction in bank debt from $200.0 million at 1 January 2007 to nil at 31 December 2008. The majority of this $13.4 million expense relates to interest payable on $120.0 million of 30-year hybrid trust preferred securities referred to in the section below entitled Financing Facilities.

Profit before income tax

Profit before income tax was $6.1 million in 2008 compared with a loss of $78.1 million in 2007.

Income tax expense

The income tax expense in 2008 was $2.2 million, compared with an expense of $0.1 million in 2007.

The impact of the income tax expense on the income statement is summarised as follows:

	Year ended 31 December 2008 $'million	Year ended 31 December 2007 $'million
Current tax expense:		
UK corporation tax	-	-
Foreign tax	**1.1**	1.0
Total current expense	**1.1**	1.0
Deferred tax expense/(credit):	**1.1**	(0.9)
Total income tax expense	**2.2**	0.1

The Group's Swiss, US and UK entities have significant trading losses carried forward in respect of which no deferred tax assets have been recognised due to the uncertainty over future profitability.

In 2008 the Group's current tax expense of $1.1 million (2007: $1.0 million) is mainly derived from branches where there are no trading losses available to carry forward. Specifically, the Group incurred a one-off tax charge of $1.1 million in relation to the closure of its Australian branch. This arose as a result of the currency fluctuation caused by the weakening of the Australian dollar against the US dollar.

The deferred tax expense in the income statement includes $1.0 million in respect of the Group's North American entities. This charge relates to unrealised losses taken directly to equity and consequently there is a corresponding deferred tax credit to equity and no overall impact on the Group's net assets.

FINANCIAL REVIEW (CONTINUED)

Profit on ordinary activities after income tax

Profit on ordinary activities after income tax in 2008 was $3.9 million (2007: loss of $78.2 million).

Profit per share

Basic and fully diluted profit per share 2008 was $0.02 per share (2007: loss per share of $0.45).

Dividend

The Company will not be paying a dividend for the 2008 financial year (2007: $nil).

Balance sheet

Total assets

Total assets as at 31 December 2008 decreased by 21.7% to $1,845.6 million from $2,356.3 million as at 31 December 2007.

Net assets

Net assets (shareholders' funds attributable to equity interests) at 31 December 2008 were $406.1 million (31 December 2007: $428.0 million). Net assets per share were $2.34 (31 December 2007: $2.46).

Net assets have been adversely impacted by a $20.2 million (net of a $1.0 million tax credit) increase in cumulative unrealised losses in the investment portfolio described below. Other than the impact of cumulative unrealised losses, net assets have remained relatively stable in the twelve months to 31 December 2008 and have been increased by a profit of $3.9 million and decreased by a foreign exchange loss of $6.0 million.

Reinsurance recoverables

Total reinsurers' share of claims outstanding was $423.3 million at 31 December 2008 (31 December 2007: $546.8 million). This reduction is primarily attributable to an agreement to commute one large excess of loss reinsurance treaty which resulted in $41.2 million of reinsurance recoverables being eliminated from the balance sheet.

Invested assets

The nature of the Group's run-off operations coupled with its long-tail liabilities allows the Group to pursue a buy and hold investment strategy that can include an element of long-term securities that may experience some price volatility. The investment portfolio does not currently consist of equity or direct real estate investments, but the Group has increased its asset weighting in non-agency US mortgage-backed securities.

As previously disclosed, in accordance with the EU endorsed amendments to IAS 39 and IFRS 7, "Reclassification of Financial Assets," the Group reclassified its entire portfolio of non-agency US mortgage-backed securities out of investments available for sale, and into loans and receivables. As of 1 July 2008, the reclassified investments had an amortised cost of $377.0 million and an approximate market value of $347.0 million. The loss position is to be amortised over the life of the instruments using the effective interest method.

As at 31 December 2008, financial assets carried at amortised cost within loans and receivables had a carrying value of $400.2 million and an approximate fair value of $253.7 million.

At 31 December 2008 the value of available for sale investments was $682.3 million, compared with $1,365.2 million at 31 December 2007. This reduction reflects the reclassification described above of non-agency US mortgage-backed securities out of investments available for sale, and into loans and receivables.

Of total invested assets $1,054.1 million (31 December 2007: $1,317.2 million) is managed by fund managers with the asset mix shown below. The remaining invested assets of $146.1 million (31 December 2007: $202.3 million) include predominantly mutual funds invested in fixed income securities and deposits at banking institutions.

Invested assets (continued)

Asset class	31 December 2008	31 December 2007
US government	**16%**	20%
US mortgage	**21%**	15%
EU and Switzerland government and corporate	**10%**	15%
US corporate	**3%**	10%
Asset backed securities	**22%**	2%
US municipalities	**-**	1%
Canadian government and provinces	**-**	2%
Cash, cash equivalents and short term investments	**28%**	35%
Total	**100%**	100%

At 31 December 2008 the Group's investment portfolio had an average duration of 0.9 years (31 December 2007: 1.5 years). The Group has maintained a shortened average duration for the portfolio to provide liquidity anticipated to be required to support the Group's run-off strategy. The Group may choose to increase the average duration of the portfolio in the future.

In 2008 the Group achieved a total gross return on the investment portfolio of 3.8% (2007: positive return of 5.2%). The investment return comprised 5.6% investment income (2007: 4.3%), 0.3% realised loss (2007: loss of 0.1%) and 1.5% unrealised loss (2007: gain of 1.0%) on average invested assets of $1,374.8million (2007: $1,687.9 million).

At 31 December 2008, apart from $16.5 million rated BBB/Baa and $0.9 million rated BB/Ba, all of the Group's fixed income portfolio was rated A or better and 94.6% was rated AA/Aa or better (31 December 2007: 85.3%) by either Standard & Poor's or Moody's. The portfolio had a weighted average rating of AA/Aa based on ratings assigned by Standard & Poor's or Moody's. Other than with respect to US, Canadian and European Union government and agency securities, the Group's investment guidelines limit its aggregate exposure to any single issuer to 5% of its portfolio. Under the Group's current investment guidelines, all securities must be rated A or better at the time of purchase and the weighted average rating requirement of the Group's portfolio is AA/Aa. The Group recognised an impairment to the purchase of non-agency US mortgage-backed securities of $2.6 million in 2008 (2007: $nil).

There are pledges of certain investments for the issuance of letters of credit in the normal course of business. As of 31 December 2008 the pledges covered assets of $208.6 million (31 December 2007: $282.2 million). In addition $92.4 million (31 December 2007: $134.2 million) is held as statutory deposits for local regulators and a further $400.7 million (31 December 2007: $534.9 million) is held in trust for the benefit of policyholders including $108.1 million (31 December 2007: $176.1 million) that Alea (Bermuda) Ltd has placed in trust on behalf of Alea North America Insurance Company.

As at 31 December 2008 the Group held Sociétè d'Investissement à Capital Variable ("SICAV") of $67.9 million (31 December 2007: $58.5 million) pledged for the benefit of French and Belgian cedants. These SICAVs are mutual funds invested in European fixed income securities with weighted average credit quality of AAA and duration of approximately six years. The increase in the SICAV pledge in the twelve months ended 31 December 2008 relates primarily to French liability business in line with contractual collateral stipulations and expectations.

In February 2009, Moody's downgraded $170.1 million of option ARM securities in the Group's non-agency US mortgage-backed securities portfolios. See further disclosures in the Financial Review under the heading Important events that have occurred since the end of the financial year, as well as notes 4 and 39 to the Annual Financial Report.

Capital management

Financing facilities

The Group raised $100.0 million of hybrid capital in December 2004 and a further $20.0 million in early January 2005. This capital is in the form of 30-year hybrid trust preferred securities priced at LIBOR plus 285 basis points.

At 1 January 2008 the Group had $30.0 million outstanding under its term loan credit facility. This was repaid in full on 14 January 2008.

Liquidity and cash flow

Cash flows from operating activities primarily consist of premiums collected, investment income and collected reinsurance recoverable balances, less paid claims, retrocession payments, operating expenses and tax payments. Net cash outflow from operating activities after income tax paid for 2008 was $362.3 million excluding $41.2 million cash received as a result of the commutation of a large excess of loss reinsurance treaty (2007: $436.9 million net cash outflow excluding $203.6 million cash received as a result of the commutation of a large excess of loss reinsurance treaty). The operating cash outflow reflects claims, commutation payments and expenses.

The net decrease in cash was $40.4 million (decrease for 2007 of $8.9 million). This is after net cash received from investing activities of $317.8 million (2007: net cash received of $411.6 million) and net cash used in financing activities of $37.0 million (2007: net cash used of $187.3 million). As a result, after taking account of exchange movements of $3.8 million (2007: $6.0 million), the Group's cash and cash equivalents at 31 December 2008 were $117.7 million (31 December 2007: $154.3 million).

Intra-Group arrangements

The Group manages a number of different intra-Group arrangements designed to ensure that each local balance sheet retains risk commensurate with its capital base. The principal means of achieving this is by arranging capacity through internal quota share reinsurances ('quota shares')with Alea Bermuda. For 2002 to 2006 underwriting years, the Group has put in place a 70% quota share to Alea Bermuda of Alea North America's insurance and reinsurance business. There is a 50% quota share of certain 2000 and prior underwriting year business from Alea Europe to Alea Bermuda. The Group is evaluating options to simplify its capital structure and balance sheet and is therefore considering commutations of the remaining quota shares. Such transactions would be subject to regulatory approval in each jurisdiction affected.

In light of independent actuarial pricing analysis, the Group will adjust the premium under a previously terminated intra-group stop loss treaty between Alea Bermuda and Alea Europe for transfer pricing purposes and following that adjustment, both companies will fully commute and settle the outstanding balances under this arrangement.

Key risks to which the Group is exposed

As a result of its activities the Group is subject to different types of risk. These include insurance risk (which incorporates underwriting and reserving risk), investment risk, credit risk and financial risk (incorporating interest rate risk, asset price risk, currency risk and liquidity risk). Further details of each of these types of risk and the procedures that the Group has in place to mitigate them can be found in note 4 of the Annual Financial Report.

Credit ratings

In the first half of 2006, Alea Group requested the withdrawal of all Group and member company ratings following ratings downgrades by both Standard and Poor's and A.M. Best.

Important events that have occurred since the end of the financial year

Non-agency US mortgage-backed option ARM securities held in Group portfolios with a book value of $170.1 million were downgraded by Moody's in February 2009, in some cases directly from Aaa to Ca. Standard & Poor's continues to maintain $164.4 million of these investments with investment grade ratings, in most cases at AAA, subject to negative credit watch. In addition, a majority of the Group's holdings of non-agency US mortgage-backed subprime securities have been placed on negative credit watch by these two rating agencies. While the Group has the current intention and the ability to continue to hold its portfolio of non-agency US mortgage-backed securities, a substantial portion of these securities are pledged as collateral and are subject to minimum rating and valuation requirements.

These collateral mechanism requirements have varying thresholds regarding the ratings of the pledged securities. In addition, these collateral mechanisms require Group companies to maintain collateral with a market value at least equal to the secured liabilities.

As of the date of this statement, deterioration in ratings and valuations of the Group's non-agency US mortgage-backed securities have not required any change in the Group's buy and hold strategy, but further deterioration in ratings or valuations could require that a significant amount of the assets currently held as collateral be replaced or supplemented with other qualifying assets. As a result, the Company's auditors have included an emphasis of matter section in their audit opinion relating to significant uncertainty to the Group's ability to continue to hold non-agency US mortgage-backed securities accounted for as loans and receivables at amortised cost. As of 28 February 2009, the book value of the Group's non-agency US mortgage-backed securities was $398.0 million and the current market value, as per the Group's third party pricing service, was $232.9 million. See notes 4 Investment and Credit Risk and 39 Events after the Balance Sheet Date to the Annual Financial Report for further information and risks associated with this event.

Branches

In the year ended 31 December 2008 the Company's subsidiaries, Alea London Limited and Alea Europe Ltd. had licensed branches in Australia and Canada, respectively. Permission from local regulators to close the Australian branch was granted in December 2008. A full listing of the Company's subsidiaries is set out in note 40 of the Annual Financial Report.

Financial calendar 2009

The Group expects to release its interim results for the six months ended 30 June 2009 on 27 August 2009.*

**provisional date*

Carl Speck
Chief Financial Officer
18 March 2009

INFORMATION REGARDING DIRECTORS

BOARD OF DIRECTORS

Robert I Kauffman (45) is the President (Europe) and a member of the board of directors of Fortress Investment Group LLC. Mr. Kauffman has been a principal and a member of the Management Committee of Fortress since co-founding the Company in 1998. Mr. Kauffman is responsible for the management of Fortress's European private equity investment operations. Mr. Kauffman is the Chairman of the board of directors of GAGFAH S.A. Prior to joining Fortress, Mr. Kauffman was a managing director of UBS from May 1997 to May 1998, and prior to that, was a principal of BlackRock Financial Management Inc. Mr. Kauffman was with Lehman Brothers from 1986 to 1994 and served as an executive director of Lehman Brothers International in London beginning in 1992.

Mark B Cloutier (53) is the Chief Executive Officer of the Group and was appointed as an executive member of the Board of Directors on 1 September 2006. Mark Cloutier has over 30 years' experience within the reinsurance and run-off industry and was most recently President and CEO of OP Re.

Randal A Nardone (53) is the Chief Operating Officer and a member of the board of directors of Fortress Investment Group LLC. Mr. Nardone has been a principal and a member of the Management Committee of Fortress since co-founding the Company in 1998. Mr. Nardone oversees Fortress's structured finance and legal matters. Mr. Nardone is a member of the board of directors of GAGFAH S.A. and Eurocastle Investment Limited. Mr. Nardone was previously a managing director of UBS from May 1997 to May 1998. Prior to joining UBS in 1997, Mr. Nardone was a principal of BlackRock Financial Management, Inc. Prior to joining BlackRock, Mr. Nardone was a partner and a member of the executive committee at the law firm of Thacher Proffitt & Wood.

DIRECTORS' REPORT

Directors that served during the year are as follows:

Robert I Kauffman (Chairman)[1]
Mark B Cloutier (Group Chief Executive Officer)[2]
Constantine N Darras[3]
Kirk H Lusk (Former Group Chief Financial Officer)[4]
Randal A Nardone[5]
Gregory M Share[6]

Notes

1. Appointed as Non-Executive Chairman of the Board effective 5 July 2007. Last re-elected 19 June 2008.
2. Appointed as an Executive Director effective 1 September 2006. Last re-elected 19 June 2008.
3. Appointed as a Non-Executive Director effective 28 July 2008. Resigned effective 18 March 2009.
4. Appointed as an Executive Director effective 1 September 2006. Last re-elected 26 June 2007. Resigned effective 31 March 2008.
5. Appointed as a Non-Executive Director effective 5 July 2007. Last re-elected 19 June 2008.
6. Appointed as a Non-Executive Director effective 5 July 2007. Last re-elected 19 June 2008. Resigned effective 28 July 2008.

Re-election of Directors

The Company is proposing the re-election of Mark B Cloutier as Director, who is retiring by rotation in accordance with the Company's Bye-laws. Mr Cloutier is an Executive Director and Group Chief Executive Officer.

Each of Mr Kauffman's and Mr Nardone's Non-Executive Director's appointment letters is renewable on 19 June 2011 for an additional three year term, subject to the provisions of the Company's Bye-laws.

Purchase of own shares

Under contractual arrangements between the Company and certain former Group employees, the Company has the right to repurchase shares in the Company held by any such employee at the end of their employment. During 2008, the Company made the following own share purchases pursuant to these arrangements with certain former Group employees.

No of Common Shares	Aggregate Purchase price	Aggregate Nominal value	% of Issued Share Capital
18,900	$38,556	189	0.011% as of 31 December 2008

The Company is not required to obtain shareholder approval to authorise purchases of its own shares under Bermudan law.

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Management Report

The Management Report, consisting of the Chief Executive Officer's Report and the Financial Review, which is hereby incorporated by reference, includes a fair review of the development and performance of the business and the position and profit of the Company and its undertakings taken as a whole, together with a description of the principal risks and uncertainties they face.

Further analysis of information regarding the principal risks and uncertainties is found in note 4 to the consolidated financial statements.

Approved by the Board of Directors and signed on behalf of the Board.

George P Judd
Group Secretary
18 March 2009

DIRECTORS' RESPONSIBILITIES

The Directors (whose names and functions are set out on page 16) are responsible for preparing the Annual Financial Report including the financial statements. The Bermudan Companies Act 1981 permits the Company and its subsidiaries (together, the 'Group'), to prepare financial statements which comprise the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of recognised income and expense and the related notes 1 to 40 in accordance with International Financial Reporting Standards ('IFRS').

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effect of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements.' In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. Directors are required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Group's website. Legislation in the United Kingdom and Bermuda governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors confirm that, to the best of their knowledge:

1. the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
2. the Management Report, which is incorporated into the Directors' Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

Approved by the Board of Directors and signed on behalf of the Board.

Mark Cloutier
Chief Executive Officer
18 March 2009

Carl Speck
Chief Financial Officer
18 March 2009

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALEA GROUP HOLDINGS (BERMUDA) LTD

We have audited the group financial statements (the "financial statements") of Alea Group Holdings (Bermuda) Ltd for the year ended 31 December 2008 which comprise the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of recognised income and expense and the related notes 1 to 40. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 90 of the Bermuda Companies Act 1981. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Financial Report and the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework and whether the financial statements have been properly prepared in accordance with the Bermuda Companies Act 1981. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we also report to you if, in our opinion, the company has not kept proper accounting records and if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Financial Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Management Report, the Board of Directors' biographies, the Directors' Report and the Statement of the Directors' Responsibilities. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Financial Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALEA GROUP HOLDINGS (BERMUDA) LTD (CONTINUED)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs, of the state of the Group's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Bermuda Companies Act 1981; and
- the information given in the Directors' Report is consistent with the financial statements.

Emphasis of matter – significant uncertainty with respect to the Group's ability to continue to hold non-agency US mortgage-backed securities accounted for as loans and receivables at amortised cost.

Without qualifying our opinion, we draw attention to note 39 which explains the significant uncertainty with respect to the Group's ability to hold non-agency US mortgage-backed securities accounted for as loans and receivables at amortised cost.

While the Group has the current intention and the ability to continue to hold its portfolio of mortgage-backed securities, a substantial portion of these securities are pledged as collateral and are subject to minimum rating and valuation requirements.

Valuations of such securities have been very volatile and if sales of non-agency US mortgage-backed securities are required to obtain other assets, the Group would reduce net assets in the amount of the shortfall between the sale price and the book value on an amortised cost basis. As of 28 February 2009 the book value of non-agency mortgage backed securities was $165.2 million higher than the market value provided by the Group's pricing service.

Deloitte LLP
Chartered Accountants and Registered Auditors
London
18 March 2009.

THE FINANCIAL STATEMENTS

CONTENTS

Consolidated income statement

	Notes	Year ended 31 December 2008 $'000	Year ended 31 December 2007 $'000
Gross premiums written		**12,320**	12,683
Revenue			
Premium revenue		**12,127**	17,666
Premium received from reinsurers		**2,489**	4,693
Net insurance premium revenue		**14,616**	22,359
Fee income		**539**	1,949
Investment income	8	**76,884**	73,089
Net realised losses on financial assets	9	**(1,376)**	(1,310)
Impairment of financial assets		**(2,563)**	-
Net realised losses on sale of renewal rights	5	**-**	(1,723)
Total revenue		**88,100**	94,364
Expenses			
Insurance claims and loss adjustment expenses		**6,425**	44,740
Insurance claims and loss adjustment expenses paid to reinsurers		**11,637**	34,416
Net insurance claims	10	**18,062**	79,156
Acquisition costs		**7,304**	10,279
Other operating expenses	11,12	**41,518**	59,742
Restructuring costs	6	**1,716**	1,571
Total expenses		**68,600**	150,748
Results of operating activities		**19,500**	(56,384)
Finance costs	13	**(13,322)**	(21,696)
Profit/(loss) before income tax		**6,178**	(78,080)
Income tax expense	15	**(2,239)**	(100)
Profit/(loss) for the year		**3,939**	(78,180)

Earnings per share for profits/(losses) attributable to the equity shareholders of the Company during the period:

Earnings per share on operating activities

	Notes	2008	2007
Basic ($)	16	**0.02**	(0.45)
Diluted ($)	16	**0.02**	(0.45)

Consolidated balance sheet

	Notes	As at 31 December 2008 $'000	As at 31 December 2007 $'000
ASSETS			
Property, plant and equipment	17	**3,535**	4,487
Intangible assets	18	**8,479**	8,479
Deferred acquisition costs	19	**1,555**	2,323
Financial assets			
Equity securities			
- available for sale	20	**111**	165
Debt securities			
- available for sale	20	**682,206**	1,365,040
Loans and receivables including insurance receivables	21	**608,070**	273,707
Deferred tax assets	22	**653**	1,034
Reinsurance contracts	24	**423,325**	546,801
Cash and cash equivalents	23	**117,660**	154,253
Total assets		**1,845,594**	2,356,289
LIABILITIES			
Insurance contracts	24	**1,201,186**	1,549,891
Borrowings	25	**117,867**	147,785
Provisions	26	**2,808**	2,837
Other liabilities and charges	27	**21,808**	33,235
Trade and other payables	28	**95,225**	191,741
Current income tax liabilities		**608**	2,761
Total liabilities		**1,439,502**	1,928,250
Net assets		**406,092**	428,039
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	29, 30	**1,738**	1,738
Other reserves	29	**683,569**	709,455
Retained loss	29	**(279,215)**	(283,154)
Total equity		**406,092**	428,039

Approved by the Board of Directors on 18 March 2009 and signed on its behalf by:

Carl Speck
Chief Financial Officer

Consolidated cash flow statement

	Notes	Year ended 31 December 2008 $'000	Year ended 31 December 2007 $'000
Cash used in operations	33	**(318,409)**	(240,764)
Income tax(paid)/ recovered		**(2,729)**	7,505
Net cash used in operating activities		**(321,138)**	(233,259)
Cash flows generated from/(used in) investing activities			
Purchase of property, plant and equipment		**(885)**	(647)
Proceeds on sale of property, plant and equipment		**-**	63
Cash payments to acquire equity and debt securities		**(4,733,490)**	(5,575,634)
Cash receipts from sales of equity and debt securities		**5,011,961**	5,920,523
Net amounts outstanding for securities		**(5,085)**	11,935
Cash receipts from interest and dividends		**45,276**	55,380
Net cash generated from investing activities		**317,777**	411,620
Cash flows used in financing activities			
Repayments of borrowings		**(30,000)**	(170,000)
Interest paid on borrowings		**(7,029)**	(17,289)
Net cash used in financing activities		**(37,029)**	(187,289)
Net decrease in cash and cash equivalents		**(40,390)**	(8,928)
Cash and cash equivalents at beginning of year		**154,253**	157,220
Exchange gains on cash and bank overdrafts		**3,797**	5,961
Cash and cash equivalents at end of year		**117,660**	154,253

Consolidated statement of recognised income and expense

	Year ended 31 December 2008 $'000	Year ended 31 December 2007 $'000
(Loss)/gain on revaluation of available-for-sale investments	**(20,323)**	10,999
Exchange differences on translation of foreign operations	**(6,037)**	8,620
Tax on items taken directly into equity	**1,030**	(1,030)
Net loss recognised directly in equity	**(25,330)**	18,589
Transfers		
Transfers to profit and loss on sale of available-for-sale investments	**(901)**	3,343
Profit/(loss) for the year	**3,939**	(78,180)
Total recognised income and expense for the year	**(22,292)**	(56,248)

The total recognised income and expense are attributable to the Company's equity holders.

Notes to the financial statements

1 General information

Alea Group Holdings (Bermuda) Ltd (the "Company") and its subsidiaries (together the "Group") were engaged in the business of underwriting insurance and reinsurance risks. The Group operated through four principal operating segments representing London market business, North American business including alternative risk transfer and reinsurance, Continental European reinsurance and financial services. In 2005 the Group ceased to write new business and placed all operations into run-off. Although the Group has disposed of the renewal rights for Alea Alternative Risk, Alea London and Alea Europe and placed all operations into run-off, the Group will continue to service claims relating to business written during 2005 and prior for the foreseeable future. As such, it is considered appropriate to recognise all amounts as relating to continuing operations. The Group now classifies all of its operations under the 'Run-off business' segment. This reflects the basis on which the Group's operations are managed and the relative maturity of the run-off book of business.

The Company is registered in Bermuda and is listed on the London Stock Exchange. As such it is required to prepare its financial information in accordance with the Bermuda Companies Act 1981, which permits the Company and the Group to prepare financial statements which comprise the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of recognised income and expense and the related notes 1 to 40 in accordance with International Financial Reporting Standards ("IFRS"). Accordingly, the financial information has been prepared in accordance with Bermuda Law.

2 Basis of preparation

The financial statements, as required by the Listing Rules of the United Kingdom's Financial Services Authority ("FSA"), have been prepared in accordance with IFRS.

The consolidated financial statements are presented in thousands of US dollars, rounded to the nearest thousand. They have been prepared under the historical cost convention, as modified by the revaluation of financial instruments which have been classified as available for sale.

The preparation of financial statements in conformity with IFRS requires management to exercise its judgement in making estimates and assumptions that affect the application of the Group's accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgement about the carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the periods in which the estimates are revised if the revisions affect only those periods or in the periods of the revision and future periods if applicable.

Judgements made by management in the application of IFRS that have a significant effect on the consolidated financial statements and estimates with a significant risk of material adjustments in following years are discussed below.

As IFRS are limited in specifying full insurance-specific guidelines to the requirements of IFRS 4 'Insurance Contracts' pending completion of the second phase of the IASB's project on insurance contracts, accounting policies for insurance contracts have been selected with primary consideration to existing UK GAAP as permitted by IFRS 4. The annual basis of accounting has been applied to all classes of business.

Notes to the financial statements

2 Basis of preparation (continued)

These consolidated financial statements have been prepared in accordance with the accounting policies in force for the year ended 31 December 2008. A summary of the principal accounting policies is provided in note 3.

Going Concern

Further information regarding the Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chief Executive Officer's Report on pages 3 to 4. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 5 to 15. In addition note 4 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risk.

Subject to the foregoing, after making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Financial Report.

Notes to the financial statements

3 Accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

The accounting policies have been applied consistently by all Group entities.

Basis of consolidation
These financial statements consolidate all the enterprises in which Alea Group Holdings (Bermuda) Ltd owns or controls, directly or indirectly, the majority of the voting shares. There are no other enterprises over which the Group has the ability to exercise control.

Intra-group transactions, balances, and gains and losses are eliminated except to the extent that the transaction provides evidence of an impairment of the asset transferred.

The results of subsidiaries liquidated or disposed of during the year are included in the consolidated income statement up to the effective date of liquidation or disposal, as appropriate.

Operating segments
The Group classifies all of its operations under the 'Run-off business' segment. This reflects the basis on which the Group's operations are managed.

Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in thousands of US dollars, which is the Group's presentation currency.

b) Group companies

The functional currencies for Group entities are usually the currencies of the primary economic environment in which the entity operates.

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

(i) assets and liabilities for each balance sheet presented are translated at the closing exchange rates at the date of that balance sheet;

3 Accounting policies (continued)

Foreign currency translation (continued)

(ii) income and expenses for each income statement are translated at transactional or 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); and
(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

c) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary items are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the revaluation reserve in equity.

To safeguard against fluctuations in exchange rates, Group entities seek to match assets and liabilities in currency. However, currency gains/losses which do arise from transactions in a currency other than a functional currency are reported in the income statement within other income or other expenses, as applicable.

The foreign currency rates used for significant foreign currencies are as follows:

	31 December 2008 Average	31 December 2008 Closing	31 December 2007 Average	31 December 2007 Closing
British pound	**0.5457**	**0.6918**	0.5001	0.5038
Euro	**0.6811**	**0.7093**	0.7295	0.6854
Swiss franc	**1.0770**	**1.0575**	1.1972	1.1326

Insurance contracts
The Group enters into contracts that transfer insurance risk or financial risk or both.

Insurance contracts are those contracts that transfer significant insurance risk. Insurance risk is defined as risk, other than financial risk, transferred from the holder of a contract to the issuer. Financial risk is defined as the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Those contracts that do not transfer significant insurance risk are accounted for by recognising an asset or liability based on the consideration paid or received less any explicitly identified premiums or fees to be retained by the ceding company. Future cash flows are estimated to calculate the effective yield, and revenues and expenses are recorded as other income or expense.

Notes to the financial statements

3 Accounting policies (continued)

Premium revenue
For all insurance contracts, premiums are recognised as revenue proportionally over the period of coverage, having regard, where appropriate, to the incidence of risk and this is known as earned premium. The portion of premium receivable on in-force contracts that relates to unexpired risks at the balance sheet date is reported as the unearned premium liability. Premiums are shown before deduction of commission and are exclusive of taxes and duties levied thereon.

Premiums comprise total premiums earned under contracts incepting during the financial year, together with adjustments arising in the financial year to premiums earned in respect of business written in previous financial years. Premiums also include estimates of pipeline premiums earned on business written but not yet notified to the Group.

In respect of both risks accepted and risks ceded by the Group, premiums and claims relating to reinsurance arrangements which do not involve significant transfer of insurance risk are not recognised in the income statement but are accounted for as deposits due from, or liabilities due to, reinsurers or cedants.

Reinsurance
The Group cedes premium and risks in the normal course of business in order to limit the potential for losses arising from risks accepted. Insurance premiums ceded to reinsurers on contracts that are deemed to transfer significant insurance risk are recognised as an expense in a manner that is consistent with the recognition of insurance premium revenue arising from the underlying risks being protected. Reinsurance contracts that do not meet the definition of an insurance contract are accounted for as financial assets. The portion of premium ceded to reinsurers on in-force contracts that relates to unexpired risks at the balance sheet date is reported as the unearned premium asset.

Insurance claims and loss adjustment expenses recovered from reinsurers are accounted for in the same accounting period as the claims for the related inward insurance and reinsurance business being covered and are estimated in a manner consistent with the claim liability associated with the reinsurance policy.

Provision is made for potentially non-collectable reinsurance recoveries and the exposure of the Group to credit risk is assessed through the aggregation of reinsurance assets due from counterparties belonging to the same insurance groups.

Renewal rights transactions
Renewal rights transactions represent books of insurance and reinsurance business sold to third parties. The Directors use fair value accounting for renewal rights transactions. Valuations and revaluations of such transactions are recognised in the income statement as net realised gains or losses on sale of renewal rights.

In determining the fair value for the business sold, the Directors value the discounted estimated future cash flows arising from specified percentages of applicable commissionable premiums written over the applicable period in accordance with the terms of the sale contracts. In determining the fair market value of renewal rights sold, the Directors consider the prior production and growth of the businesses sold, external projections and the most recent assessment of the businesses sold. The Directors also make certain assumptions about levels of program transfer and renewal probabilities of future premiums.

As the ultimate consideration receivable is dependent upon the future levels of business generated on renewal in relation to the rights sold over differing time periods as specified in the sale contracts, it is necessary for the Directors to review and re-evaluate the fair value of the consideration receivable based on the likely volumes of renewal business that will be written. Consequently, adjustments to the consideration receivable recognised in the income statement will be made at each balance sheet date where required.

3 Accounting policies (continued)

Deferred acquisition costs ("DAC")
Costs which vary and are directly associated with the acquisition of insurance and reinsurance contracts including brokerage, commissions, underwriting expenses and other acquisition costs are deferred and amortised over the period of contract, consistent with the earning of premium. These are shown as a capitalised asset in the balance sheet.

Insurance claims and loss adjustment expenses
Insurance claims and loss adjustment expenses comprise the estimated cost of all claims occurring prior to the balance sheet date, whether reported or not, and include loss adjustment expenses related to internal and external direct and indirect claims handling costs, and adjustments to claims outstanding from previous years. Claims handling costs include related internal and external direct and indirect claims handling costs and consist of third party loss adjustor fees, legal expenses and claims staff costs.

Liabilities for unpaid claims are determined on an individual case basis and are based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs and net of salvage and subrogation recoveries. The provision also includes the estimated cost of claims incurred but not reported at the balance sheet date based on statistical methods.

The Group discounts certain categories of claims provisions, such as certain casualty and auto liability claims, where the expected average interval between the date of claim settlement and the balance sheet date is in excess of four years in accordance with the statutory regulations of the European Union. The discount rate used is 4.0% (2007: 4.0%).

Liability adequacy test ("LAT")
At each balance sheet date, liability adequacy tests are performed to ensure the adequacy of the insurance contract liabilities net of related DAC and premiums receivable.

Provision is made where current best estimates of future contractual cash flows and claims handling and administration expenses arising after the end of the financial year from contracts concluded before that date is expected to exceed the provision for unearned premiums net of DAC and premiums receivable. Investment income from the assets backing the liabilities is taken into account in calculating the provision. The assessment of whether a provision is necessary is made on the basis of information available as at the balance sheet date, after offsetting surpluses and deficits arising on products which are managed together. Any deficiency is immediately charged to the income statement initially by writing off DAC and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision). Any DAC written off as a result of this test cannot subsequently be reinstated.

Investment income
Investment income includes dividends and interest. Dividends are accrued on an ex-dividend basis that is when the right to receive payment is established. Interest and rental income are recognised on an accruals basis. Interest income in respect of the Group's available for sale investments is recognised using the effective interest method.

Fee income
Fee income represents income arising on finite risk reinsurance and insurance contracts without significant transfer of insurance risk and expense related to deposits received from reinsurers. Such income is recognised over the term of the contract.

Notes to the financial statements

3 Accounting policies (continued)

Employee Benefits

a) Share-based payments

The cost of awards to employees that take the form of shares or rights to shares is charged to the income statement as personnel costs on a straight-line basis over the period to which the employee's performance relates and a corresponding amount is reflected in share-based payment reserve in shareholders' equity. The charge is calculated as being the fair value of the shares at the date of grant, reduced by any consideration payable by the employee, and a reasonable expectation of the extent to which performance criteria will be met.

b) Pension costs

The Group only operates defined contribution pension arrangements. Contributions are charged to the income statement as employee benefit expense as they become payable in accordance with the rules of each scheme. The Group has no further payment obligations once the contributions have been paid. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Operating leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Property, plant and equipment
Property, plant and equipment comprise items of equipment only. Equipment is stated at cost less accumulated depreciation and impairment losses when appropriate. Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives vary between three and five years for fixtures and equipment.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

The residual values and useful lives of the assets are reviewed at each balance sheet date and adjusted if appropriate.

Intangible assets
Intangible assets represent the cost of licences acquired to conduct business in the United States. The Directors consider these licences to have indefinite useful lives. Licences are granted for an indefinite period and are essential to carry on business. The licences are tested for impairment at each balance sheet date.

Notes to the financial statements

3 Accounting policies (continued)

Investments – Financial Instruments
The Group recognises a financial asset or a financial liability on its balance sheet when it becomes a party to the contractual provisions of the instrument. On initial recognition the Group determines the category of financial instrument and values it accordingly. The classification depends on the purpose for which the investments are acquired.

a) Available-for-sale securities

Available-for-sale securities are non-derivative financial assets, typically equities or bonds. On initial recognition, the fair value is the cost including transaction costs directly attributable to the acquisition. On subsequent remeasurement the fair value excludes transaction costs on disposal and represents the listed bid price. Fair value movements are recognised in equity.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group intends to sell in the short-term or that it has designated as at fair value through income or available-for-sale. In addition loans and receivables include non-agency US mortgage-backed securities held for the foreseeable future and measured at amortised cost using the effective interest method, less impairment. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

Trade receivables do not carry any interest rate and are measured at the fair value which is their nominal value less appropriate allowances for estimated irrecoverable amounts. On the initial recognition of loans the carrying value is determined as the proceeds of the loans less the costs of the transaction which are amortised over the length of the loan period in accordance with the effective interest method.

The Group has not designated any investments to be held to maturity or to be valued at fair value through profit and loss.

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Purchases and sales of securities and currencies are recognised on trade date - the date on which the Group commits to purchase or sell the asset.

3 Accounting policies (continued)

Investments – Financial Instruments (continued)
Before evaluating whether, and to what extent, de-recognition of a financial asset or liability is appropriate, the Group determines whether de-recognition should be applied to only part of the financial asset / liability or group of financial assets / liabilities. The Group only derecognises a financial asset or liability when the contractual rights and obligations to the cash flows expire or the financial asset / liabilities are transferred and the Group has also transferred substantially all risks and rewards of ownership.

Gains and losses on derecognition are recognised through the income statement. Changes in fair value of available for sale investments, except for foreign exchange gains and losses and impairment losses which are recognised in the income statement, are directly recorded in equity until such time that the financial asset is derecognised.

In the Company's accounts, investments in Group subsidiaries are stated at net asset value (equity method) with any movement taken to the Company's revaluation reserve.

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

Impairment of assets
The Group reviews the carrying amounts of its tangible and intangible assets at each balance sheet date to determine whether there is any indication of impairment. If any indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount is the greater of the net selling price and the value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Taxation
Income tax expense represents the sum of the tax payable in the year and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided in full, using the liability method, on all temporary differences, which are based on the difference between the financial statement carrying values and the tax bases of assets and liabilities using enacted income tax rates and laws. Deferred income tax assets are recognised to the extent that it is regarded as probable that they will be utilised against sufficient future taxable income. Deferred income tax assets and liabilities are not discounted.

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

Notes to the financial statements

3 Accounting policies (continued)

Taxation (continued)
The deferred tax that results from unrealised gains and losses on securities classified as available for sale is recognised in shareholders' equity along with those unrealised gains and losses.

Current tax payable by any Group company on distribution to the holding company of the undistributed profits of any subsidiaries is recognised as deferred tax unless the timing of the distribution of those profits is controlled by the holding company and the temporary difference is not expected to reverse in the foreseeable future.

In accordance with IAS 12 'Income Taxes', deferred taxation is provided on temporary differences arising from the revaluation of fixed assets even where there is no commitment to sell the asset.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Provisions

a) Restructuring costs and legal claims

Provisions for restructuring costs and legal claims are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

b) Levies

The Group is subject to various insurance-related assessments or guarantee fund levies. Related provisions are provided for where there is a present obligation (legal or constructive) as a result of a past event.

Share capital
Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax. Incremental costs directly attributable to the issue of equity instruments as consideration for the acquisition of a business are included in the cost of acquisition.

Notes to the financial statements

3 Accounting policies (continued)

Accounting developments

The International Accounting Standards Board (IASB) issued IFRS 8 'Operating Segments' on 30 November 2006 effective for annual periods beginning on or after 1 January 2009. IFRS 8 replaces IAS 14 'Segment Reporting' and requires the disclosure of financial information about the Group based upon the information used internally to evaluate the performance of the operating segments and the allocation of resources to those segments. The Group has early-adopted IFRS 8 from 1 January 2008 and has restated comparative information for the year ended 31 December 2007 in accordance with IFRS 8. The disclosures relating to Operating Segments are shown in note 7 to the Financial Statements.

On 13 October 2008 the IASB issued 'Reclassification of Financial Assets – Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures'. This amendment permitted the Group to reclassify certain investments from the available for sale category to loans and receivables where there is a clear intent and ability to hold for the foreseeable future or to maturity and where the investments meet the definition of loans and receivables at the date of reclassification. In accordance with these amendments, with effect from 1 July 2008, the Group reclassified its entire portfolio of non-agency US mortgage-backed securities out of investments available for sale, and into loans and receivables.

Notes to the financial statements

4 Analysis of risk

Risk management framework
As a global run-off insurance and reinsurance operation, the Group is exposed to various types of risk.

The Board of Directors retains overall responsibility for the risk management framework that has been established to mitigate the Group's exposure to risk and assesses the effectiveness of the controls established to identify, monitor and mitigate the risks faced by the Group.

The risks that the Group faces include, but are not limited to:

Insurance risk – risk associated with the uncertainty over the likelihood of an insured event occurring, the quantum of the claim, or the time when claims payments will fall due.

Investment and credit risk – risk associated with the Group's reinsurance arrangements, investment portfolio, and other counterparty credit risk.

Financial risk – risk associated with possible future change in one or more of a specified interest rate, financial instrument price, foreign exchange rate or other variable. Also included within financial risk is liquidity risk, the risk that obligations cannot be met as they become due as a consequence of being unable to readily realise assets to meet these obligations.

Insurance risk

Underwriting risk
When it was underwriting insurance business, the Group managed the transfer of insurance risk from its cedants in a number of ways. Underwriting guidelines governed the products it was willing to sell and the geographical location in which the risk was located. Before risk was accepted, its impact upon the overall risk profile of the insurance portfolio was assessed. Underwriting controls included the establishment of limits on underwriting authority and the monitoring of exposure by industry, geographical region and class of business.

The Group used a variety of reserving and modelling methods to determine the levels of insurance risk accepted. The modelling techniques employed helped the Group to monitor, estimate and control its exposure to natural and man-made catastrophes. Diversification was sought through the range of products sold and geographical locations in which business was written.

The Group Underwriting Committee monitored emerging issues that affected its exposure to insurance risk such as new areas of liability and the impact of major losses.

Sources of uncertainty in the estimation of future claim payments
The Group takes steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

In estimating the liability for the cost of reported claims not yet paid, the Group considers any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. Large claims are assessed on a case-by-case basis or projected separately in order to allow for the possible distorting effect of their development and incidence on the rest of the portfolio.

4 Analysis of risk (continued)

Insurance risk (continued)

Sources of uncertainty in the estimation of future claim payments (continued)
The estimation of claims incurred but not reported ("IBNR") is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Group, where information about the claim event is available. An assessment of the liability for future claims is affected not only by the risks inherent in the perils insured but also by changes that may occur in the legal and judicial environment before claims are settled, all of which affect the quantum of the claim. Additionally, the practical limits to information flows from insured parties hampers the estimation of the claim amounts.

For casualty risks, for example, claims may not be apparent to the insured until many years have passed after the event that gave rise to the claims. The Group's casualty business was typically written on an occurrence basis, meaning that the Group is liable for all insured events that occurred during the term of contract, even if the loss is discovered after the end of the contract term. Liability claims are therefore notified and settled over a long period of time. As a result, for casualty business, a large element of the claims provision relates to IBNR and will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these liabilities.

For property business, the greatest uncertainty arises from catastrophe events, where a single event affects a large number of contracts. In such cases the Group estimates the IBNR using an exposure methodology, assessing each programme written by the Group to determine the expected claims in respect of that event.

For property business other than catastrophe, and for casualty business, the IBNR is typically based on a combination of loss-ratio-based estimates and claims-experience-based estimates, with greater weight given to actual claims experience as time passes. The initial loss-ratio estimate is an important assumption in the estimation technique and is based on a number of factors including previous years' experience, premium rate changes, market experience and historical claims inflation.

The projections given by the various methodologies also assist in estimating the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each underwriting year.

The amount of casualty claims is particularly sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort. Casualty contracts are also subject to the emergence of new types of latent claims, but no allowance is included for this at the balance sheet date.

Notes to the financial statements

4 Analysis of risk (continued)

Insurance risk (continued)

Sources of uncertainty in the estimation of future claim payments (continued)

The following table presents the Group's booked gross claims outstanding before claims handling provisions and before discount by class of business.

As at 31 December 2008 $'million	General liability	Motor	Workers' comp.	Professional	Property	MAT[1]	Total
1999 and prior	48.9	59.2	2.2	1.6	25.3	70.1	207.3
2000	18.7	8.7	11.1	9.1	4.7	18.2	70.5
2001	20.4	6.0	16.3	5.4	2.0	8.7	58.8
2002	19.5	4.3	4.9	9.0	5.0	3.1	45.8
2003	25.6	13.1	2.9	16.8	1.5	1.6	61.5
2004	25.8	19.4	5.2	18.8	3.3	0.1	72.6
2005	16.2	26.1	2.1	23.0	25.1	0.2	92.7
Reinsurance reserves	**175.1**	**136.8**	**44.7**	**83.7**	**66.9**	**102.0**	**609.2**
Insurance reserves	**152.6**	**38.2**	**64.5**	**22.1**	**7.4**	**-**	**284.8**
Total non-life reserves	**327.7**	**175.0**	**109.2**	**105.8**	**74.3**	**102.0**	**894.0**
Life structured settlements							**260.2**
Life reinsurance							**86.0**
Provision for claims outstanding, reported and not reported							**1,240.2**

As at 31 December 2007 $'million	General liability	Motor	Workers' comp.	Professional	Property	MAT[1]	Total
1999 and prior	90.9	43.9	14.9	0.5	28.9	73.6	252.7
2000	25.9	10.6	10.7	13.9	6.9	21.0	89.0
2001	25.1	8.3	16.7	9.8	3.3	10.5	73.7
2002	28.3	7.1	5.8	19.4	6.1	3.6	70.3
2003	30.3	23.5	3.4	23.6	1.5	5.1	87.4
2004	33.0	32.9	6.6	24.7	7.5	0.2	104.9
2005	14.6	49.2	2.3	24.3	45.7	1.5	137.6
Reinsurance reserves	**248.1**	**175.5**	**60.4**	**116.2**	**99.9**	**115.5**	**815.6**
Insurance reserves	**221.7**	**63.7**	**100.2**	**26.4**	**9.0**	**-**	**421.0**
Total non-life reserves	**469.8**	**239.2**	**160.6**	**142.6**	**108.9**	**115.5**	**1,236.6**
Life structured settlements							**277.1**
Life reinsurance							**91.9**
Provision for claims outstanding, reported and not reported							**1,605.6**

[1] Marine, Aviation and Transport

4 Analysis of risk (continued)

Insurance risk (continued)

Sources of uncertainty in the estimation of future claim payments (continued)

The following table analyses Alea's gross claims outstanding between incurred but not reported ('IBNR') and case reserves. The insurance and reinsurance splits are in line with the Group's typical business tail and the relative maturity of the respective books.

	As at 31 December 2008 %	As at 31 December 2007 %
Case reserves	47	46
IBNR	53	54
Total	**100**	**100**

Prior year reserve development
The Group's expected loss development is determined by the Group's internal actuaries based on historical claims analysis and projected trends. Actual reported losses may vary from expected loss development. Generally, as an underwriting year matures, the level of newly reported claims decreases.

During the twelve months ended 31 December 2008 the Group experienced adverse development in the reserves, net of reinsurance and excluding the impact of commutations and discount of $11.8 million (31 December 2007: adverse reserve development, net of reinsurance and excluding the impact of commutations and discount of $29.9 million).

4 Analysis of risk (continued)

Insurance risk (continued)

Prior year reserve development (continued)
Net reserve development is determined by netting adverse and positive reserve development. 35.4% of the negative 2008 reserve development relates to the Group's reinsurance portfolio (2007: 129.2%). Reinsurance operations by their nature add further complications to the reserving process, particularly to casualty business, where there is an inherent lag in the timing and reporting of a loss event from an insured or ceding company to the reinsurer. This reporting lag creates an even longer period of time between the policy inception and when a claim is finally settled. As a result, more judgement is required to establish reserves for ultimate losses in reinsurance operations.

All amounts included in net insurance claims arise from the movement in the prior year provision for claims outstanding net of reinsurance except for net insurance claims of $14.1 million (2007: $14.7 million) relating to the Group's life business.

Historical ultimate loss ratios ('ULR')
The ULR is an actuarial estimate of total claims to the point of final settlement as a percentage of gross ultimate premiums. It excludes expenses. The table below shows the ULR as of 31 December 2008 for proportional and non-proportional US casualty reinsurance, gross of reinsurance and prior to discounting. The Group's US casualty reinsurance ULR shown in the table below is the aggregate ULR for Alea North America, Alea London and Alea Bermuda. The table also shows the aggregate ULR for Alea Europe.

Underwriting year	US casualty proportional %	US casualty non-proportional %	Europe %
1995	-	64.5	65.6
1996	-	-	74.5
1997	-	-	91.3
1998	29.5	67.5	107.7
1999	162.4	123.2	137.1
2000	127.2	161.6	95.9
2001	90.0	118.9	77.7
2002	72.8	95.8	71.2
2003	63.1	63.0	48.2
2004	61.2	59.4	48.5
2005	77.1	75.7	70.2

4 Analysis of risk (continued)

Insurance risk (continued)

Historical ultimate loss ratios ('ULR') (continued)
Note 24 to the financial statements presents the development of the estimate of ultimate claim cost for policies underwritten in a given year. This gives an indication of the accuracy of the Group's estimation technique for ultimate claims payments.

If the gross claims reserve carried in the balance sheet moved by 1% the impact on the income statement and equity would be a change of $12.4 million (31 December 2007: $16.1 million) on an undiscounted and pre-tax basis.

Investment and credit risk

Investment risk
The Group's investment strategy is based on a high quality diversified portfolio of liquid investment grade fixed income securities as a method of preserving equity capital and prompt claim payment capability.

The Group uses investment managers to invest most of its assets. The Group's Investment Committee recommends investment policies and guidelines for investment managers which are submitted for approval to the Boards of Directors of the Group's regulated insurance companies. These guidelines specify criteria on the overall credit quality and liquidity characteristics of the portfolio and include limitations on the size of certain holdings as well as restrictions on purchasing certain types of securities.

The Group's invested assets are subject to interest rate risk. The Group's interest rate risk is concentrated in the US and Europe and is sensitive to many factors, including governmental monetary policies and domestic and international economic and political conditions. Based on invested assets at external managers of $1,054.1 million as at 31 December 2008, a 100 basis point increase/decrease in interest rates across the yield curve would result in an approximate $9.5 million unrealised loss/profit respectively (2007: on invested assets at external managers of $1,317.2 million a 100 basis point increase/decrease in interest rates across the yield curve would result in an approximate $19.3 million unrealised loss/profit respectively). The entire impact of $9.5 million would be reflected in equity since all investments are available for sale.

The assets managed by fund managers show the asset mix below. The remaining invested assets of $146.1 million (2007: $202.3 million) include predominantly mutual funds invested in fixed income securities.

Asset class	31 December 2008 in %	31 December 2007 in %
US government	16	20
US mortgage	21	15
EU and Switzerland government and corporate	10	15
US corporate	3	10
US municipalities	-	1
Asset backed securities	22	2
Canadian government and provinces	-	2
Cash, cash equivalents and short term investments	28	35
	100	100

4 Analysis of risk (continued)

Investment and credit risk (continued)

Financial and insurance liabilities risk
The Group is also exposed to interest rate risk on its insurance reserves and floating rate borrowings.

Where appropriate, reserves are discounted in accordance with existing UK GAAP as permitted by IFRS 4. Discount rates are based on the expected future cash flow derived from assets established for the payment of reserves. The Group discounts loss reserves for certain business with a mean term to ultimate claims settlement in excess of four years. The majority of such discount applies to casualty business. The unwind of the discount is sensitive to the claims payment pattern.

The Group discount rate used is based on the relevant average investment return of the last five years. A reduction of 0.1% would reduce the net discount in the balance sheet by approximately $1.2 million (2007: $1.6 million) and would negatively impact income statement and equity by the same amount.

The Group has $120 million of trust preferred securities in issue. These securities provide for a preferred dividend at a rate of three month LIBOR plus 285 basis points.

The Group had $30.0 million outstanding under its loan facility which was due for repayment on 18 July 2009. This loan carried an interest margin of 200 basis points over LIBOR and was repaid on 14 January 2008.

Credit risk
When the Group was underwriting, it purchased reinsurance to manage its catastrophe exposure and mitigate insurance risk. However, the ceding of insurance risk exposes the Group to credit risk from its reinsurers and retrocessionaires.

The Group selected its reinsurers and retrocessionaires based on price and credit quality and continues to monitor them closely over time. It also sought to diversify its business among reinsurers and retrocessionaires and required collateral where deemed prudent to do so. Thus, the use of maximum limits for credit exposure to any one counter party was an effective method for mitigating credit risk.

The Group required that at the time of purchase all reinsurers and retrocessionaires had a minimum credit rating of A-, unless high quality collateral is provided.

Notes to the financial statements

4 Analysis of risk (continued)

Investment and credit risk (continued)

Credit risk (continued)
Additionally, the Group is subject to credit risk in respect of third party companies in which the Group holds debt securities issued by those companies. As a consequence of the established investment policies and in order to mitigate investment risk, apart from $16.5 million rated BBB/Baa and $0.9 million rated BB/Ba, all of the Group's fixed income portfolio was rated A or better and 94.6% (31 December 2007: 85.3%) was rated AA/Aa or better by either Standard & Poor's or Moody's. The portfolio had a weighted average rating of AA/Aa based on ratings assigned by Standard & Poor's or Moody's. Other than with respect to US, Canadian and European Union government and agency securities, the Group's investment guidelines limit its aggregate exposure to any single issuer to 5% of its portfolio. All securities must be rated A or better at the time of purchase. The Group recognised an impairment to the purchase of non-agency US mortgage-backed securities of $2.6 million in 2008 (2007: $nil). The following table illustrates the split of total debt securities by rating of investee.

Credit Rating of investee	Debt security investment as at 31 December 2008 in %	Debt security investment as at 31 December 2007 in %
AAA / Aaa / US Government or equivalent	**88.2**	74.8
AA / Aa	**6.3**	10.5
A	**3.8**	14.4
BBB / Baa or lower	**1.7**	0.3
Total	**100.0**	100.0

Certain credit ratings at 31 December 2008 referred to above were downgraded in February 2009. See note 39 for further discussion of this matter.

At 31 December 2008, the Group's largest aggregate exposure to any single issuer other than with respect to the United States, Canadian and European government and agency securities was $48.4 million (31 December 2007: $23.4 million) in respect of Countrywide Alternative Loan Trusts.

Depending upon the duration of the liabilities supported by a particular portfolio, the Group's portfolio investment duration targets may range from one to three years. The duration of an investment is based on the maturity of the security and also reflects the payment of interest and the possibility of early principal payment of such security. The Group seeks to utilise investment benchmarks that reflect this duration target. The Group's Investment Committee periodically reviews the Group's investment benchmarks based on business and economic factors including the average duration of the Group's potential liabilities.

Notes to the financial statements

4 Analysis of risk (continued)

Investment and credit risk (continued)

Credit risk (continued)
At 31 December 2008, the Group's investment portfolio had an effective duration of 0.9 years (31 December 2007: 1.5 years). The Group has shortened duration targets on its investment portfolios to ensure that sufficient liquidity will be available to execute the commutation strategy and to reflect the greater uncertainty now inherent in the duration of its liabilities with this commutation strategy.

Analysis by credit rating of all financial assets (impaired, past due, neither past due nor impaired):

As at 31 December 2008

	AAA /Aaa	AA/Aa	A	BBB/Baa and below	Collater-alised	Equities	Not rated	Non financial asset	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Property, plant and equipment	-	-	-	-	-	-	-	3,535	3,535
Intangible assets	-	-	-	-	-	-	-	8,479	8,479
Deferred acquisition costs	-	-	-	-	-	-	-	1,555	1,555
Financial assets - available for sale securities	425,671	129,251	92,516	32,018	-	111	2,750	-	682,317
Loans and receivables including insurance receivables	345,100	45,014	127,754	19,276	4,828	-	66,021	77	608,070
Deferred tax assets	-	-	-	-	-	-	-	653	653
Reinsurance contracts	11,822	282,548	61,831	1,710	47,427	-	17,987	-	423,325
Cash and cash equivalents	57,575	5,052	46,097	1	-	-	8,935	-	117,660
Total assets	840,168	461,865	328,198	53,005	52,255	111	95,693	14,299	1,845,594

As at 31 December 2007

	AAA /Aaa	AA/Aa	A	BBB/Baa and below	Collater-alised	Equities	Not rated	Non financial asset	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Property, plant and equipment	-	-	-	-	-	-	-	4,487	4,487
Intangible assets	-	-	-	-	-	-	-	8,479	8,479
Deferred acquisition costs	-	-	-	-	-	-	-	2,323	2,323
Financial assets - available for sale securities	1,021,401	143,186	197,107	3,346	-	165	-	-	1,365,205
Loans and receivables including insurance receivables	36,134	45,477	72,805	5,176	12,396	-	101,710	9	273,707
Deferred tax assets	-	-	-	-	-	-	-	1,034	1,034
Reinsurance contracts	22,886	315,401	83,906	1,980	62,164	-	60,464	-	546,801
Cash and cash equivalents	51,711	78,781	23,611	88	-	-	62	-	154,253
Total assets	1,132,132	582,845	377,429	10,590	74,560	165	162,236	16,332	2,356,289

Notes to the financial statements

4 Analysis of risk (continued)

Investment and credit risk (continued)

Analysis by credit rating of assets that were neither past due nor impaired at the balance sheet date:

As at 31 December 2008

	AAA /Aaa $'000	AA/Aa $'000	A $'000	BBB/Baa and below $'000	Collater- alised $'000	Equities $'000	Not rated $'000	Non financial asset $'000	Total $'000
Property, plant and equipment	-	-	-	-	-	-	-	3,535	3,535
Intangible assets	-	-	-	-	-	-	-	8,479	8,479
Deferred acquisition costs	-	-	-	-	-	-	-	1,555	1,555
Financial assets - available for sale securities	425,671	129,251	92,516	32,018	-	111	2,750	-	682,317
Loans and receivables including insurance receivables	341,657	44,876	113,134	19,249	4,828	-	34,277	77	558,098
Deferred tax assets	-	-	-	-	-	-	-	653	653
Reinsurance contracts	11,822	282,548	61,831	1,710	47,427	-	11,858	-	417,196
Cash and cash equivalents	57,575	1,717	49,432	1	-	-	8,935	-	117,660
Total assets	836,725	458,392	316,913	52,978	52,255	111	57,820	14,299	1,789,493

As at 31 December 2007

	AAA /Aaa $'000	AA/Aa $'000	A $'000	BBB/Baa and below $'000	Collater- alised $'000	Equities $'000	Not rated $'000	Non financial asset $'000	Total $'000
Property, plant and equipment	-	-	-	-	-	-	-	4,487	4,487
Intangible assets	-	-	-	-	-	-	-	8,479	8,479
Deferred acquisition costs	-	-	-	-	-	-	-	2,323	2,323
Financial assets - available for sale securities	1,021,401	143,186	197,107	3,346	-	165	-	-	1,365,205
Loans and receivables including insurance receivables	31,606	44,914	69,730	4,562	12,397	-	71,474	9	234,692
Deferred tax assets	-	-	-	-	-	-	-	1,034	1,034
Reinsurance contracts	22,886	315,403	83,907	1,468	62,165	-	53,254	-	539,083
Cash and cash equivalents	51,711	78,781	23,611	88	-	-	62	-	154,253
Total assets	1,127,604	582,284	374,355	9,464	74,562	165	124,790	16,332	2,309,556

Notes to the financial statements

4 Analysis of risk (continued)

Investment and credit risk (continued)

Analysis of impaired and past due assets

In performing its assessment of which assets should be impaired, the Group considers reinsurer ratings, the existence of notified disputes and historical collection experience.

The following table presents financial assets that were impaired, or past due but not impaired at the end of the year.

As at 31 December 2008

	0-3 months past due	4-6 months past due	7-9 months past due	10-12 months past due	More than 12 months past due	Impaired	Total	Neither past due nor impaired	Total assets
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Property, plant and equipment	-	-	-	-	-	-	-	3,535	3,535
Intangible assets	-	-	-	-	-	-	-	8,479	8,479
Deferred acquisition costs	-	-	-	-	-	-	-	1,555	1,555
Financial assets - available for sale securities	-	-	-	-	-	-	-	682,317	682,317
Loans and receivables including insurance receivables	6	3,292	46	25	32,809	13,794	49,972	558,098	608,070
Deferred tax assets	-	-	-	-	-	-	-	653	653
Reinsurance contracts	-	-	-	-	-	6,129	6,129	417,196	423,325
Cash and cash equivalents	-	-	-	-	-	-	-	117,660	117,660
Total assets	6	3,292	46	25	32,809	19,923	56,101	1,789,493	1,845,594

As at 31 December 2007

	0-3 months past due	4-6 months past due	7-9 months past due	10-12 months past due	More than 12 months past due	Impaired	Total	Neither past due nor impaired	Total assets
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Property, plant and equipment	-	-	-	-	-	-	-	4,487	4,487
Intangible assets	-	-	-	-	-	-	-	8,479	8,479
Deferred acquisition costs	-	-	-	-	-	-	-	2,323	2,323
Financial assets - available for sale securities	-	-	-	-	-	-	-	1,365,205	1,365,205
Loans and receivables including insurance receivables	2,000	2,016	-	836	22,226	11,937	39,015	234,692	273,707
Deferred tax assets	-	-	-	-	-	-	-	1,034	1,034
Reinsurance contracts	-	-	-	-	-	7,718	7,718	539,083	546,801
Cash and cash equivalents	-	-	-	-	-	-	-	154,253	154,253
Total assets	2,000	2,016	-	836	22,226	19,655	46,733	2,309,556	2,356,289

As at 31 December 2008 $32.7 million of assets consisting of financial assets carried at amortised cost, reinsurance contracts and debtors arising out of reinsurance operations were subject to a valuation allowance in respect of impairment (2007: $35.3 million). As at 31 December 2008, after deducting the impairment provision of $12.8 million (2007: $15.6 million) the impaired assets had a carrying value of $19.9 million (2007: $19.7 million).

Notes to the financial statements

4 Analysis of risk (continued)

Investment and credit risk (continued)

Collateral pledged to and by the Group
The following table shows balance sheet carrying value of collateral pledged by the Group as a result of its underwriting activities:

	As at 31 December 2008 $'000	As at 31 December 2007 $'000
Carrying value of financial assets pledged to insured parties as collateral for liabilities	**769,634**	1,009,808

The financial assets have been pledged as collateral under the following terms and conditions:

Alea London Limited has written regulated US business and has as a result been required to provide a collateralised Trust Fund in respect of outstanding claims relating to this business. Collateral is provided in the form of cash and approved investments in accordance with the terms of the trust deed. The total amount of collateral provided at 31 December 2008 was $51.3 million (2007: $63.1 million). In addition Alea London Limited maintains letter of credit ("LOC") facilities in respect of its previous underwriting activities and is obliged to collateralise any LOCs issued under these facilities. The total amount of collateral provided at 31 December 2008 under these treaties was $99.4 million (2007: $136.7 million). Alea London Limited has SICAV investments of $8.0 million (2007: $7.7 million) pledged as security for reinsurance obligations. At 31 December 2008 Alea London Limited had $nil other restricted deposits (2007: $0.4 million).

Alea Europe Ltd maintains LOC facilities in respect of its previous underwriting and is obliged to collateralise any LOCs issued under these facilities. The total amount of collateral provided at 31 December 2008 was $99.3 million (2007: $136.1 million). The amount held in trust for the benefit of holders of North American policies is $47.9 million (2007: $68.6 million). Additionally, Alea Europe Ltd holds a permanent amendment to irrevocable standby LOC of $3.5 million (2007: $3.8 million) in favour of its cedents. Alea Europe Ltd has SICAV investments of $59.9 million (2007: $50.8 million) pledged as security for reinsurance obligations.

Alea (Bermuda) Ltd has pledged collateral in the form of various LOCs totaling $10.0 million (2007: $9.5 million) which are held as cash and invested assets in designated collateral accounts. Other collateral pledged totaling $111.7 million (2007: $106.9 million) is in respect of quota share policies written by Alea (Bermuda) Ltd for Lumberman's and Alea North America Specialty Insurance Company. The collateral is pledged in the form of trust accounts. Additionally collateral of $108.1 million (2007: $176.2 million) is pledged in the form of a trust account for the benefit of Alea North America Insurance Company.

Alea North America Insurance Company has pledged assets consisting of LOCs, trust funds and cash totaling $78.2 million (2007: $116.3 million). LOCs are automatically extended without amendment for a period of one year following the expiration date. Alea North America Insurance Company also has securities on deposit at various state regulators totaling $92.3 million (2007: $133.7 million).

Notes to the financial statements

4 Analysis of risk (continued)

Investment and credit risk (continued)

Collateral pledged to and by the Group (continued)
A portion of trust assets pledged by Alea (Bermuda) Ltd and by Alea North America Insurance Company consist of non-agency US mortgage-backed securities ($324.0 million in amortised cost at year-end 2008). These trust mechanisms typically require minimum ratings of the underlying securities and that the valuation of the securities at least equal the reserves established by the counter-party. Ratings and valuations of the Group's portfolio of non-agency US mortgage-backed securities have been volatile. Further deterioration in ratings or valuations could require that a significant amount of the assets currently pledged as collateral be replaced or supplemented with other qualifying assets. Further information on this topic can be found in note 39.

The fair value of collateral pledged to the Group as a result of its underwriting activities:

	As at 31 December 2008 $'000	As at 31 December 2007 $'000
Fair value of collateral held by the Group that can be sold or repledged regardless of whether the owner of the collateral defaults	**66,321**	94,690
Carrying amount of any assets obtained by taking possession of collateral held as security	**34,206**	48,748

Alea North America Insurance Company holds collateral as security for claims due from third-parties of $66.3 million (2007: $94.7 million) which consists of funds held in trust and LOCs.

Alea (Bermuda) Ltd, holds collateral in respect of certain reinsurance recoverables in the form of $10.6 million of LOCs (2007: $15.5 million), $1.0 million of cash collateral (2007: $2.5 million) and $22.6 million of funds withheld (2007: $30.3 million), and generally has the right to hold this collateral remains until commutation or a mutual agreement to decrease the collateral.

4 Analysis of risk (continued)

Investment and credit risk (continued)

Impairment provision analysis

The following impairment provisions have been made against financial assets carried at amortised cost with the credit ratings indicated:

	As at 31 December 2008 $'000	As at 31 December 2007 $'000
AAA or Aaa	(2,563)	-
AA or Aa	-	-
A	-	-
BBB or Baa and below	-	-
Not rated	-	(1,050)
	(2,563)	(1,050)

The following impairment provisions have been made against reinsurance contracts with the credit ratings indicated:

	As at 31 December 2008 $'000	As at 31 December 2007 $'000
AAA or Aaa	-	-
AA or Aa	-	-
A	-	-
BBB or Baa and below	-	-
Not rated	(550)	(1,050)
	(550)	(1,050)

The following impairment provisions have been made against debtors arising out of insurance operations with the credit ratings indicated:

	As at 31 December 2008 $'000	As at 31 December 2007 $'000
AAA or Aaa	-	-
AA or Aa	-	-
A	-	-
BBB or Baa and below	-	-
Not rated	-	(1,459)
	-	(1,459)

Notes to the financial statements

4 Analysis of risk (continued)

Investment and credit risk (continued)

Impairment provision analysis (continued)
The following impairment provisions have been made against debtors arising out of reinsurance operations with the credit ratings indicated:

	As at 31 December 2008 $'000	As at 31 December 2007 $'000
AAA or Aaa	**(3)**	(2)
AA or Aa	**23**	(186)
A	**114**	(249)
BBB or Baa and below	**(36)**	(509)
Not rated	**(9,753)**	(12,105)
	(9,655)	(13,051)

The following table analyses the movements in the impairment provisions:

	Impairment Provisions $'000
At 1 January	(16,215)
Amounts written off	(699)
Recoveries on assets previously written off	1,673
Net exchange differences	(319)
At 31 December 2007	**(15,560)**
Amounts written off	(2,563)
Recoveries on assets previously written off	5,624
Net exchange differences	(269)
At 31 December 2008	**(12,768)**

4 Analysis of risk (continued)

Investment and credit risk (continued)

Fair value to carrying value comparison
Other than for the financial instruments shown in the following table, the carrying amount shown in the balance sheet is a reasonable approximation of fair value for each class of financial asset and financial liability.

As at 31 December 2008	Carrying value $'000	Fair value $'000
Financial assets carried at amortised cost	**400,232**	**253,707**

Fair value represents quotes received from Interactive Data Corporation ('IDC'). IDC offers daily evaluations for structured product securities. Evaluations are based on the interpretation of accepted Wall Street modelling and pricing conventions. IDC obtains and applies dealer quotes, available trade information, street consensus prepayment speeds, US Treasury curve, swap curve and cash settlements. Depending on the characteristics of the tranche, a single cash flow stream model is generally used for evaluation. As input into the model, IDC use buy and sell side sources, including primary, and secondary dealers, portfolio managers, and research analysts. Evaluation is determined by the ability to generate predicted cash flows, a benchmark yield, collateral performance and tranche level attributes.

Prices can also be established from active broker quotes if sufficient information, such as cash flows, or other market information is not available to produce an evaluation. These quotes are active updated quotes from market makers, or broker-dealers widely recognised as market participants.

As at 31 December 2007 the carrying amount shown in the balance sheet was a reasonable approximation of fair value for all classes of financial asset and financial liability.

Notes to the financial statements

4 Analysis of risk (continued)

Financial risk

The Group is subject to several types of financial risk. The most significant of these is the risk that at any given date, the proceeds from realising the financial assets of the Group may be insufficient to meet the financial obligations arising from its insurance contracts. The Group is also exposed to risk as a result of changes in foreign currency and interest rates. Another significant risk relates to the liquidity of the Group.

Asset and liability mismatch risk

In order to ensure that adequate liquid resources are available to fund insurance liability cash outflows when they fall due, the Group's practice is to invest in assets matching the currency and duration of the expected related liabilities.

Currency risk

The Group reports its results in US Dollars and accordingly, to the extent that shareholders' funds are invested in assets denominated in currencies other than US Dollars, exchange gains or losses may arise on translation.

The Group controls its currency risk by investing in assets that match the currency in which it expects related liabilities to be paid and by investing the majority of assets backing shareholder funds in US Dollars. The Directors consider the revaluation gains and losses arising from the revaluation of non-functional currencies that impact the income statement and equity to be insignificant.

Notes to the financial statements

4 Analysis of risk (continued)

Currency risk (continued)
The Group estimates that its net exposure to currencies is as follows:

As at 31 December 2008
Functional Currencies in $ '000

USD	AUD	GBP	CHF	Euro			Subtotal	
344,962	(1,261)	1,221	(18,791)	43,153			369,284	

Non-Functional Currencies in $'000

GBP	Euro	SEK	DKK	JPY	CAD	Other	Subtotal	Total
29,923	11,085	(11,047)	232	-	17,419	(10,804)	36,808	406,092

Functional Currencies in %

USD	AUD	GBP	CHF	Euro			Subtotal	
84.9	(0.3)	0.3	(4.6)	10.6			90.9	

Non-Functional Currencies in %

GBP	Euro	SEK	DKK	JPY	CAD	Other	Subtotal	Total
7.4	2.7	(2.7)	0.1	-	4.3	(2.7)	9.1	100.0

As at 31 December 2007
Functional Currencies in $ '000

USD	AUD	GBP	CHF	Euro			Subtotal	
330,730	21,204	440	(22,177)	50,560			380,757	

Non-Functional Currencies in $'000

GBP	Euro	SEK	DKK	JPY	CAD	Other	Subtotal	Total
27,466	22,850	(6,806)	(4,753)	(4,569)	25,430	(12,336)	47,282	428,039

Functional Currencies in %

USD	AUD	GBP	CHF	Euro			Subtotal	
77.3	5.0	0.1	(5.2)	11.8			89.0	

Non-Functional Currencies in %

GBP	Euro	SEK	DKK	JPY	CAD	Other	Subtotal	Total
6.4	5.3	(1.6)	(1.1)	(1.1)	5.9	(2.8)	11.0	100.0

A positive percentage arises when assets exceed liabilities denominated in that currency while a negative percentage arises when liabilities exceed assets.

The translation gains and losses of functional currencies are recognised as a separate component of equity where as the gains and losses arising from the translation of non-functional currencies are recorded in the income statement.

Included within this currency analysis are net non-monetary assets which equate to 2.6% (2007: 2.8%) of the Group's net assets.

4 Analysis of risk (continued)

Liquidity Risk
Liquidity risk is the potential that obligations cannot be met as they become due as a consequence of not being able to readily realise assets to meet these obligations.

In December 2004 and January 2005, the Group issued a total of $120.0 million of hybrid trust preferred securities. These securities were issued through trusts established by Alea Holdings US Company a subsidiary of the Group holding company. The margin on these securities was unaffected by the credit rating downgrades and remains at LIBOR plus 285 basis points. The securities have a fixed maturity of 30 years, are callable after five years, and allow for a deferral of quarterly coupons for up to five years.

The following table analyses the contractual maturity dates of the undiscounted liabilities carried on the Group's balance sheet. The maturity analysis in respect of insurance contracts represents an estimate of the maturity dates for these liabilities due to the fact the insurance contract liabilities are payable on demand.

As at 31 December 2008	Undiscounted						
	On demand and within one year	One to three years	Three to five years	Over five years	Total undiscounted liabilities	Discount on insurance contract liabilities	Total discounted liabilities
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
LIABILITIES							
Insurance contracts	236,020	296,072	174,352	543,467	1,249,911	(48,725)	1,201,186
Borrowings	-	-	-	117,867	117,867	-	117,867
Provisions	2,197	611	-	-	2,808	-	2,808
Other liabilities and charges	15,350	6,458	-	-	21,808	-	21,808
Trade and other payables	25,830	29,321	15,819	24,255	95,225	-	95,225
Current income tax liabilities	608	-	-	-	608	-	608
Total liabilities	280,005	332,462	190,171	685,589	1,488,227	(48,725)	1,439,502

As at 31 December 2007	Undiscounted						
	On demand and within one year	One to three years	Three to five years	Over five years	Total undiscounted liabilities	Discount on insurance contract liabilities	Total discounted liabilities
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
LIABILITIES							
Insurance contracts	374,225	417,139	183,463	642,605	1,617,432	(67,541)	1,549,891
Borrowings	-	30,000	-	117,785	147,785	-	147,785
Provisions	1,955	543	339	-	2,837	-	2,837
Other liabilities and charges	29,119	4,116	-	-	33,235	-	33,235
Trade and other payables	65,707	42,766	35,489	47,779	191,741	-	191,741
Current income tax liabilities	2,761	-	-	-	2,761	-	2,761
Total liabilities	473,767	494,564	219,291	808,169	1,995,791	(67,541)	1,928,250

4 Analysis of risk (continued)

Capital risk management
The total amount of capital managed by the Group is $515.5 million (2007: $537.4 million). The Group considers its managed capital to consist of net tangible assets of $397.6 million (2007: $419.6 million) and the trust preferred securities of $117.9 million (2007: $117.8 million).

The Board of Directors is responsible for assessing the Group's capital structure on a regular basis with the aim of selecting a debt-to-equity ratio that maximises return to shareholders. As at 31 December 2008 the debt-to-equity ratio was 21% (2007: 26%).

The main aim of the Group's capital management strategy is to free-up excess capital which can be reinvested in the business or returned to shareholders consistent with holding sufficient capital in each insurance operating entity to meet regulatory requirements. The Group has been in run-off since the fourth quarter 2005 and has conducted its operations in accordance with this strategy.

There have been no changes in the Group's capital management policies since the previous period.

As at 31 December 2007 the Group was required to hold sufficient capital to meet the conditions of the bank loan covenant in respect of the $30.0 million term loan. Subsequent to 31 December 2007 the Group repaid this term loan and is no longer subject to this capital requirement.

The Group is subject to externally imposed capital requirements in respect of all entities that previously wrote insurance and reinsurance business. These requirements, which have been complied with during the year, are enforced within the individual locations and are detailed below.

Alea London Limited is regulated by the UK Financial Services Authority ("FSA"). It is required by the FSA to submit an annual statement of solvency and to hold capital resources in excess of its capital resources requirement.

Alea North America Insurance Company is regulated by the New York Insurance Department ("NYID"). It is required by the NYID to submit an annual risk based capital statement and to hold total adjusted capital in excess of the Company Action Level which is 200% of its Authorised Control Level Risk-Based Capital.

Alea (Bermuda) Limited is regulated by the Bermuda Monetary Authority ("BMA"). It is required by the BMA to submit an annual statutory financial return and to hold statutory capital and surplus in excess of its minimum solvency margin.

Alea Europe Ltd. is regulated by the Swiss Federal Office of Private Insurance ("FOPI"). A Swiss reinsurer must maintain available own funds at the level of the required solvency margin, which is calculated by reference to the business volume (Solvency 1). Additionally, the reinsurer must maintain its target capital which is defined as the sum of the expected shortfall of change in risk-bearing capital within one year at the 99% confidence level plus the market value margin, as required by the Swiss Solvency Test (Solvency 2).

The Group has embedded its capital management processes into its normal planning, reporting and decision making activities.

Notes to the financial statements

5 Net realised losses on sale of renewal rights

	Alea London Limited $'000	Alea North America Insurance Company $'000	Alea Europe Ltd $'000	Total $'000
Year ended 31 December 2008	-	-	-	-
Year ended 31 December 2007	-	(1,880)	157	(1,723)

The Group completed three renewal rights transactions in the fourth quarter of 2005. These were accounted for as net realised gains on sale of renewal rights which were recognised in the year ended 31 December 2005, and represented the Directors' valuation at fair value of the business sold. In determining the fair market value of renewal rights sales, the Board considered the prior production and growth of the businesses sold, external projections and a recent assessment of the businesses sold. The fair market value of the renewal rights is regularly evaluated by the Board based on available data.

Where necessary, amounts are charged or credited to the income statement to reflect any changes in the fair value which is based on the latest financial data available. These amounts reflect the discounted estimated future cash flows arising from specified percentages of applicable commissionable premiums written over the applicable period in accordance with sale contracts. In the year ended 31 December 2008 a charge of $nil was recognised in respect of the renewal rights transactions (year ended 31 December 2007: charge of $1.7 million).

Following the reassessments performed at each balance sheet date subsequent to 31 December 2005, the gains have been calculated as the fair value of consideration receivable ($54.4 million). The Group has received payments to 31 December 2008 of $25.7 million (31 December 2007: $22.6 million). The remaining balance of $28.7 million (31 December 2007: $31.8 million) is included within loans and receivables including insurance receivables and consists of $28.2 million owed by AmTrust and $0.5 million owed by Canopius. The non-current portion of the receivable at 31 December 2008 is $14.2 million (31 December 2007: $29.6 million).

These amounts represent the Directors' best estimates of the risk adjusted future receipts discounted at 4.0%. These receipts are dependent upon the future levels of business generated on renewal in relation to the rights sold over differing time periods as specified in the sale contracts. A 10% deviation of the projected renewals would result in a change in receivable of $3.92 million.

The directors consider that the receivable is collectable based upon an assessment of the credit ratings of AmTrust and Canopius.

Notes to the financial statements

6 Restructuring costs

In 2005, the Group announced its intention to run-off all remaining property and casualty business. Those fixed assets not subject to renewal rights agreements and not required for the run-off operations have been written down to their residual value. Redundancy costs have been incurred in Connecticut. A restructuring provision has been established for employees in London, Basel and Zug. This provision included estimated expenses for future redundancy payments for employees who cannot be redeployed in the new structure. The provision also contained estimated expenses with regards to onerous contracts. Onerous contracts are operating leases in respect of any premises that are expected to be vacated as part of the restructuring. The provision was established based on a run-off plan approved by the Board of Directors. Other costs are included in the claims handling provisions.

Year ended 31 December 2008

	Alea UK $'000	Alea US $'000	Alea Europe $'000	Total $'000
Redundancy costs incurred in excess of the provision established based on run-off plan	313	283	-	596
Additional restructuring provision established [1]	337		783	1,120
Total restructuring costs	**650**	**283**	**783**	**1,716**

Year ended 31 December 2007

	Alea UK $'000	Alea US $'000	Alea Europe $'000	Total $'000
Redundancy costs incurred in excess of the provision established based on run-off plan	1,245	326	-	1,571
Total restructuring costs	**1,245**	**326**	**-**	**1,571**

[1] As a result of the outsourcing arrangement entered into in the year, an additional provision has been established to reflect contractual obligations made in respect of staff retention bonuses and severance payments.

Notes to the financial statements

7 Segmental information

Operating results by reportable segment

The Group classifies all of its operations under the 'Run-off business' segment. This reflects the basis on which the Group's operations are managed. Insurance liabilities are determined using a consistent reserving methodology across the Group and are monitored and reported on a Group-wide basis, investments and cash treasury are managed by a centralised function and senior staff resource is deployed on a Group-wide basis. This structure reflects the relative maturity of the run-off book of business.

Geographical distribution of non-current assets

The Group holds non-current assets in the following countries:

Year ended 31 December 2008	Property, plant and equipment	Intangible assets	Non-current deferred acquisition costs	Total
	$'000	$'000	$'000	$'000
Bermuda	25	-	-	25
United States	2,807	8,479	-	11,286
United Kingdom	574	-	-	574
Switzerland	129	-	1,055	1,184
Total	3,535	8,479	1,055	13,069

Year ended 31 December 2007	Property, plant and equipment	Intangible assets	Non-current deferred acquisition costs	Total
	$'000	$'000	$'000	$'000
Bermuda	24	-	-	24
United States	3,557	8,479	-	12,036
United Kingdom	610	-	-	610
Switzerland	296	-	331	627
Total	4,487	8,479	331	13,297

Notes to the financial statements

8 Investment income

	Year ended 31 December 2008 $'000	Year ended 31 December 2007 $'000
Financial assets - available for sale interest income	**36,856**	67,070
Financial assets carried at amortised cost interest income	**36,493**	-
Cash and cash equivalents interest income	**3,535**	6,019
	76,884	73,089

9 Net realised losses on financial assets

	Year ended 31 December 2008 $'000	Year ended 31 December 2007 $'000
Realised gains on financial assets - available for sale	**2,758**	281
Realised losses on financial assets - available for sale	**(4,134)**	(1,591)
	(1,376)	(1,310)

Notes to the financial statements

10 Movement in prior year provision for insurance claims, net of reinsurance

All amounts included in net insurance claims arise from the movement in the prior year provision for claims outstanding net of reinsurance except for net insurance claims of $14.1 million (2007: $14.7 million) relating to the Group's life business.

11 Results of operating activities

Profit from operations has been arrived after charging:

	Year ended 31 December 2008 $'000	Year ended 31 December 2007 $'000
Depreciation of property, plant and equipment	**1,774**	2,534
Staff costs (see note 12)	**18,211**	27,579
Auditors' remuneration (see below)	**2,306**	2,369

A more detailed analysis of auditors' remuneration on a worldwide basis is provided below:

	Year ended 31 December 2008 $'000	Year ended 31 December 2007 $'000
Audit services[1]	**2,196**	2,193
Tax services	**-**	46
Actuarial and other consulting	**110**	130
Total auditors' remuneration	**2,306**	2,369

[1] Audit services includes a charge of $0.2 million in respect of the preparation of a special audit report required by Swiss legislation in connection with a reduction of capital.

Notes to the financial statements

12 Staff costs

The average monthly number of employees (including Executive Directors) was:

	Year ended 31 December 2008	Year ended 31 December 2007
Finance	18	22
Information Technology	8	14
Claims	44	50
Technical Accounts	9	15
Management and administration	13	18
	92	119

Their aggregate remuneration comprised:

	Year ended 31 December 2008 $'000	Year ended 31 December 2007 $'000
Wages and salaries [1]	15,770	24,401
Social security costs	1,120	1,562
Other pension costs (see note 37)	1,321	1,616
	18,211	27,579

[1] Severance payments of $1.5 million made in the year ended 31 December 2008 (2007: $2.0 million) are excluded in the table above. Of this $1.5 million, $0.9 million (2007: $0.4 million) was provided in the restructuring provision established at 31 December 2005 (see note 26). The remaining $0.6 million has been charged through the income statement in 2008 (see note 6).

13 Finance costs

	Year ended 31 December 2008 $'000	Year ended 31 December 2007 $'000
Interest on borrowings	7,511	18,184
Other investment expenses	2,487	2,932
Exchange losses on non-functional currencies and transactions losses	3,324	580
	13,322	21,696

Notes to the financial statements

14 Net gains or losses on borrowings

	Year ended 31 December 2008 $'000	Year ended 31 December 2007 $'000
Capitalised debt raising expenses charged to income statement	**82**	518
	82	518

15 Income tax expense

	Year ended 31 December 2008 $'000	Year ended 31 December 2007 $'000
Current tax expense/(credit):		
UK corporation tax	**(9)**	(5)
Foreign tax	**1,092**	1,002
Total current tax	**1,083**	997
Deferred tax (note 22):	**1,156**	(897)
Total income tax expense	**2,239**	100

UK corporation tax was calculated at 30% until 31 March 2008. From 1 April 2008, the rate was reduced to 28% (2007: 30%) of the estimated assessable UK profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

15 Income tax expense (continued)

The tax expense for the periods presented varied from the stated rate of UK corporation tax as explained below:

	Year ended 31 December 2008 $'000	Year ended 31 December 2007 $'000
Profit/(loss) on ordinary activities before taxation	**6,178**	(78,080)
Profit/(loss) on ordinary activities multiplied by the weighted average[1] standard rate of UK corporation tax at 28.5% (2007: 30%)	**1,761**	(23,424)
Factors affecting tax expense/(credit):		
Adjustment in respect of foreign tax rates	**(1,639)**	11,426
Adjustment in respect of prior periods	**15**	130
Overseas and other taxes	**780**	670
Change in UK corporation tax rate used to provide deferred tax asset	**-**	79
Deferred tax asset in respect of current year losses not recognised	**5,208**	9,936
Utilisation of tax losses in respect of which no deferred tax assets were provided	**(4,731)**	(600)
Other permanent differences	**845**	1,883
Tax expense for the year	**2,239**	100

In addition to the amount expensed to the income statement, deferred tax of $1.0 million has been credited to equity in the year (2007: expense of $1.0 million).

[1] UK corporation tax was calculated at 30% until 31 March 2008. From 1 April 2008, the rate was reduced to 28% (2007: 30%) of the estimated assessable UK profit for the year.

Notes to the financial statements

16 Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	Year ended 31 December 2008 $	Year ended 31 December 2007 $
Earnings		
Earnings for the purposes of basic earnings per share being net loss attributable to equity holders of the Company	**3,938,543**	(78,179,546)
Effect of dilutive potential ordinary shares:	**-**	-
Earnings for the purposes of diluted earnings per share	**3,938,543**	(78,179,546)

Number of shares	Year ended 31 December 2008 Number	Year ended 31 December 2007 Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	**173,772,944**	173,788,126
Effect of dilutive potential ordinary shares:		
- Share options	**225,957**	-
Weighted average number of ordinary shares for the purposes of diluted earnings per share	173,998,901	173,788,126

17 Property, plant and equipment

	Computer equipment and software	Fixtures and office equipment	Other	Total
	$'000	$'000	$'000	$'000
Cost or Valuation				
At 1 January 2007	22,853	4,598	1,713	29,164
Additions	374	220	53	647
Exchange difference	383	23	133	539
Disposals	(830)	(448)	(2)	(1,280)
At 31 December 2007	22,780	4,393	1,897	29,070
Additions	403	482	-	885
Exchange difference	(7,500)	(655)	(1,843)	(9,998)
Disposals	(586)	(454)	-	(1,040)
At 31 December 2008	**15,097**	**3,766**	**54**	**18,917**
Accumulated depreciation and impairment				
At 1 January 2007	(18,590)	(2,569)	(1,607)	(22,766)
Charge for the year	(2,017)	(392)	(125)	(2,534)
Exchange differences	(357)	(12)	(131)	(500)
Eliminated on disposals	823	394	-	1,217
At 31 December 2007	(20,141)	(2,579)	(1,863)	(24,583)
Charge for the year	(1,261)	(491)	(22)	(1,774)
Exchange differences	7,478	637	1,831	9,946
Eliminated on disposals	569	460	-	1,029
At 31 December 2008	**(13,355)**	**(1,973)**	**(54)**	**(15,382)**
Carrying amount				
At 31 December 2008	**1,742**	**1,793**	**-**	**3,535**
At 31 December 2007	2,639	1,814	34	4,487

Notes to the financial statements

18 Intangible assets

	Licences $'000
Cost	
At 1 January 2007	9,968
Additions	-
At 31 December 2007	9,968
Additions	-
At 31 December 2008	**9,968**
Amortisation	
At 1 January 2007	(1,489)
Impairment of asset	-
At 31 December 2007	(1,489)
Impairment of asset	-
At 31 December 2008	**(1,489)**
Carrying amount	
At 31 December 2008	**8,479**
At 31 December 2007	8,479

Capitalised licences represent the cost of licences acquired to conduct business in the United States. The Directors consider these licences to have indefinite useful lives. The licences are tested for impairment at each balance sheet date. At 31 December 2008 the impairment review indicated that the carrying value of the licenses reflects the recoverable amount and no impairment write down is necessary (31 December 2007: no impairment write down was necessary).

19 Deferred acquisition costs

	Deferred acquisition costs $'000
At 1 January 2007	3,506
Change in year	(1,351)
Exchange difference	168
At 31 December 2007	2,323
Change in year	(679)
Exchange difference	(89)
At 31 December 2008	**1,555**

At 31 December 2008	
Current assets	**500**
Non-current assets	**1,055**
	1,555

At 31 December 2007	
Current assets	1,992
Non-current assets	331
	2,323

20 Financial assets

	As at 31 December 2008 $'000	As at 31 December 2007 $'000
Available-for-sale investments		
- Equity securities	**111**	165
- Debt securities	**682,206**	1,365,040

The investments included above represent investments in listed equity securities and listed debt securities. The fair values of these investments are based on quoted market prices.

Notes to the financial statements

20 Financial assets (continued)

Summary by maturity – Debt securities	As at 31 December 2008 $'000	%	As at 31 December 2007 $'000	%
Less than 1 year	**359,998**	**52.8**	598,506	43.8
1 year up to 3 years	**60,336**	**8.8**	317,638	23.3
3 years up to 5 years	**260**	**0.0**	113,916	8.3
5 years up to 10 years	**2,086**	**0.3**	102,707	7.5
More than 10 years	**259,526**	**38.1**	232,273	17.1
	682,206	**100.0**	1,365,040	100.0

21 Loans and receivables including insurance receivables

	As at 31 December 2008 $'000	As at 31 December 2007 $'000
Deposits with ceding undertakings	**79,455**	91,177
Financial assets carried at amortised cost	**400,232**	-
Debtors arising out of insurance operations	**14**	1,496
Debtors arising out of reinsurance operations	**73,892**	101,689
Amounts due from reinsurance operations not transferring significant risk	**-**	-
Accrued income [1]	**35,842**	42,805
Other prepayments	**3,226**	5,108
Other debtors	**15,409**	31,432
Total loans and receivables including insurance receivables	**608,070**	273,707
Current asset	**40,375**	49,182
Non-current asset	**567,695**	224,525
	608,070	273,707

1 $28.7 million (31 December 2007: $31.8 million) of the renewal rights sales are recorded as accrued income at the balance sheet date as disclosed in note 5.

Loans and receivables including insurance receivables are recorded on the balance sheet at amortised cost.

21 Loans and receivables including insurance receivables (continued)

Year ended 31 December 2008	Amount reclassified out of available for sale debt securities category $'000	Amount reclassified into loans and receivables category $'000
Financial assets carried at amortised cost	253,707	400,232

No other assets were reclassified in the year ended 31 December 2008 (2007: $nil).

	As at 31 December 2008 $'000	As at 31 December 2007 $'000
Financial assets carried at amortised cost		
Carrying value of financial assets that have been reclassified	**400,232**	-
Fair value of financial assets that have been reclassified	**253,707**	-
Estimated amounts of cash flows expected to be recovered in respect of reclassified assets	**656,230**	-

	Year ended 31 December 2008 $'000	Year ended 31 December 2007 $'000
Fair value loss on reclassified assets that has been recognised in equity	**29,777**	-
Fair value loss that would have been recognised in equity if the financial asset had not been reclassified	**146,525**	-
Total gain in respect of reclassified assets recognised in profit or loss	**33,930**	-

The effective interest rate used in determining the amortised cost is 13.9%.

22 Deferred income tax

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior reporting period:

Deferred tax assets and liabilities

	Unrealised gains on investments	Depreciation in advance of capital allowances	US subsidiary insurance transaction timing differences and losses	Total
	$'000	$'000	$'000	$'000
At 1 January 2007	-	1,154	-	1,154
Expense to equity	(1,030)	-		(1,030)
(Expense)/credit to the income statement		(132)	1,030	898
Exchange differences		12		12
At 1 January 2008	**(1,030)**	**1,034**	**1,030**	**1,034**
Credited to equity	**1,030**	**-**		**1,030**
Expense to the income statement		**(126)**	**(1,030)**	**(1,156)**
Exchange differences		**(255)**		**(255)**
As at 31 December 2008	**-**	**653**	**-**	**653**

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	As at 31 December 2008 $'000	As at 31 December 2007 $'000
Deferred tax assets	**653**	1,034
Deferred tax liabilities	**-**	-
	653	1,034

At the balance sheet date the Group has unrecognised deferred tax assets of $64.7 million (31 December 2007: $66.5 million) in respect of tax losses carried forward. The assets have not been recognised due to the unpredictability of future profit streams.

At the balance sheet date, the Group has unused tax losses of $273.2 million (31 December 2007: $266.7 million) available for offset against future profits. Of the losses at 31 December 2008 $68.1 million (31 December 2007: $62.6 million) relate to the US, $147.4 million (31 December 2007: $151.0 million) relate to the UK and $57.7 million (31 December 2007: $53.1 million) relate to Switzerland.

US losses expire as follows: $8.3 million in 2026, $40.5 million in 2027 and $19.3 million in 2028.

UK losses have no expiry date.

Swiss losses expire as follows: $53.9 million in 2011 and $3.8 million in 2015.

Notes to the financial statements

22 Deferred income tax (continued)

The deferred tax assets as at 31 December 2008 and as at 31 December 2007 are non-current assets. The deferred tax liabilities as at 31 December 2008 and as at 31 December 2007 are non-current liabilities.

The deferred income tax credited/(expensed) to equity during the year is as follows:

	Year ended 31 December 2008 $'000	Year ended 31 December 2007 $'000
Revaluation reserve[1]	**1,030**	(1,030)
Hedging and translation reserve[2]	**-**	-
	1,030	(1,030)

1 The revaluation reserve is a component of shareholders' equity that is used to record the difference between the market value of available for sale investments carried on the balance sheet and the amortised cost of those assets. Unrealised gains and losses arising when the market value is compared with the amortised cost of the assets are taken to this reserve.

2 Movements in the unrealised gains and losses arising from the translation of the Group's assets and liabilities denominated in functional currencies of the Group are shown in the hedging and translation reserve. The hedging and translation reserve is a component of shareholders' equity.

23 Cash and cash equivalents

Cash and cash equivalents are comprised of the following:

	As at 31 December 2008 $'000	As at 31 December 2007 $'000
Cash at bank and in hand	**31,106**	31,589
Short-term deposits with credit institutions	**86,554**	122,664
Total cash and cash equivalents	**117,660**	154,253

Cash and cash equivalents yielded an effective rate of interest of 2.6% in 2008 (2007: 4.3%).

Notes to the financial statements

24 Insurance and reinsurance contracts

Insurance and reinsurance contracts are comprised of the following:

	As at 31 December 2008 $'000	As at 31 December 2007 $'000
Gross claims outstanding		
Provision for claims outstanding, reported and not reported	**1,240,270**	1,605,617
Discount	**(48,725)**	(67,541)
	1,191,545	1,538,076
Claims handling provisions	**9,641**	11,815
Total insurance contracts	**1,201,186**	1,549,891
Aggregate excess reinsurance		
Provision for claims outstanding, reported and not reported	-	41,162
Discount	-	-
Net aggregate excess reinsurance	-	41,162
Other reinsurance		
Provision for claims outstanding, reported and not reported	**425,502**	508,651
Discount	**(2,177)**	(3,012)
Net other reinsurance	**423,325**	505,639
Total reinsurers' share of claims outstanding		
Provision for claims outstanding, reported and not reported	**425,502**	549,813
Discount	**(2,177)**	(3,012)
Total reinsurance contracts	**423,325**	546,801
Undiscounted claims outstanding, net of reinsurance	**824,409**	1,067,619
Discount	**(46,548)**	(64,529)
Claims outstanding net of reinsurance	**777,861**	1,003,090

Security held for aggregate excess reinsurance	As at 31 December 2008 $'000	As at 31 December 2007 $'000
Deposits received from reinsurers	-	41,162
Trust fund and LOC collateral available against aggregate excess contracts	-	-
Total collateral available against aggregate excess reinsurance recoverable	-	41,162

24 Insurance and reinsurance contracts (continued)

	As at 31 December 2008 $'000	As at 31 December 2007 $'000
Current assets	**37,334**	72,669
Non-current assets	**385,991**	474,132
Total reinsurance contracts	**423,325**	546,801

Current liabilities	**228,600**	424,653
Non-current liabilities	**972,586**	1,125,238
Total insurance contracts	**1,201,186**	1,549,891

Basis for establishing provision for claims outstanding
Loss reserves for reinsurance business are established based on claims data reported to the Group by ceding companies supplemented with relevant industry benchmark loss development patterns used to project the ultimate incurred loss. Ultimate incurred loss indications are calculated by the Group's actuaries using several standard actuarial methodologies including paid and incurred loss development and the Bornhuetter-Ferguson incurred and paid loss methods.

The Group's actuaries utilise several assumptions in applying each methodology, including loss development factors, expected loss ratios based on pricing analysis, and actual reported claim frequency and severity. These reviews and documentation are completed in accordance with professional actuarial standards appropriate to the jurisdictions where the business is written. The selected assumptions reflect the actuaries' judgement based on historical data and experience combined with information concerning current underwriting, economic, judicial, regulatory and other influences on ultimate claim settlements.

Based on the actuarial indications, the Group selects and records a single point estimate separately for each line of business for each underwriting year. The single point reserve estimate is management's best estimate which the Group considers to be one that has an equal likelihood of developing a redundancy or deficiency as the loss experience matures. On a quarterly basis the Group analyses and records its loss reserve estimates across over 400 detailed lines of business which reflect class of business, geographic location, insurance versus reinsurance, proportional versus non-proportional, and treaty versus facultative exposures. In addition, a limited number of the Group's largest contracts are reviewed individually.

During the loss settlement period, additional facts regarding claims are reported. As this occurs it may be necessary to increase or decrease the unpaid losses and loss expense reserves. The actual final liability may be significantly different to prior estimates. The Group reviews additional reported claim information on a monthly basis. Actual claim experience is compared to that expected from the most recent actuarial reserve review to highlight significant variances. A complete actuarial analysis by detailed line of business including selection of single point estimates is completed semi-annually and is reviewed by the Group's management.

Notes to the financial statements

24 Insurance and reinsurance contracts (continued)

Underwriting year table

	1999 and prior	2000	2001	2002	2003	2004	2005	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Gross								
Estimate of cumulative claims:								
At end of underwriting year	3,022,313	367,605	386,762	590,359	821,724	1,092,870	630,215	
One year later	4,564,137	452,324	396,996	612,137	816,546	990,260	610,599	
Two years later	4,710,816	485,269	417,049	611,228	794,346	883,970	616,375	
Three years later	4,755,187	507,747	441,839	654,210	786,147	874,949	**629,467**	
Four years later	4,828,948	539,694	440,855	660,908	790,476	**856,061**		
Five years later	4,874,927	550,212	459,255	655,037	**763,564**			
Six years later	4,883,595	563,532	467,672	**652,421**				
Seven years later	4,893,658	560,023	**468,770**					
Eight years later	4,874,618	**560,844**						
Nine years later	**4,858,150**							
Estimate of cumulative claims as at 31 December 2008	**4,858,150**	**560,844**	**468,770**	**652,421**	**763,564**	**856,061**	**629,467**	**8,789,277**
Cumulative payments at 31 December 2008	(4,660,066)	(494,088)	(410,052)	(583,166)	(633,463)	(671,708)	(445,453)	(7,897,996)
	198,084	**66,756**	**58,718**	**69,255**	**130,101**	**184,353**	**184,014**	**891,281**
Unearned element of reserves at 31 December 2008	-	-	-	-	-	-	-	-
Earned non-life reserves before effect of discounting as at 31 December 2008	**198,084**	**66,756**	**58,718**	**69,255**	**130,101**	**184,353**	**184,014**	**891,281**
Life and finite reserves as at 31 December 2008								**348,989**
Claims handling provisions as at 31 December 2008								**9,641**
Present value of reserves before discount recognised in the balance sheet as at 31 December 2008								**1,249,911**

Notes to the financial statements

24 Insurance and reinsurance contracts (continued)

Underwriting year table (continued)

	1999 and prior	2000	2001	2002	2003	2004	2005	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Reinsurance recoverable								
Estimate of cumulative claims:								
At end of underwriting year	557,558	87,617	140,151	176,731	165,184	177,565	144,472	
One year later	1,544,260	163,700	173,153	196,084	184,701	145,792	132,953	
Two years later	1,662,449	156,068	177,605	211,944	190,173	137,365	128,042	
Three years later	1,646,776	149,374	152,152	212,974	182,641	147,960	**129,399**	
Four years later	1,660,199	136,623	146,574	199,845	173,223	**134,717**		
Five years later	1,684,626	130,220	157,163	181,349	**167,985**			
Six years later	1,667,762	130,984	157,466	**183,557**				
Seven years later	1,669,539	128,163	**157,615**					
Eight years later	1,652,959	**129,583**						
Nine years later	**1,646,197**							
Estimate of cumulative recoveries at 31 December 2008	**1,646,197**	**129,583**	**157,615**	**183,557**	**167,985**	**134,717**	**129,399**	**2,549,053**
Cumulative recoveries received at 31 December 2008	(1,581,022)	(111,944)	(148,665)	(176,013)	(146,344)	(107,514)	(112,238)	(2,383,740)
	65,175	**17,639**	**8,950**	**7,544**	**21,641**	**27,203**	**17,161**	**165,313**
Unearned element of reinsurance recoverable at 31 December 2008	-	-	-	-	-	-	-	-
Earned net non-life reinsurance recoverable before effect of discounting as at 31 December 2008	**65,175**	**17,639**	**8,950**	**7,544**	**21,641**	**27,203**	**17,161**	**165,313**
Life and finite reinsurance recoverable as at 31 December 2008								**260,189**
Present value of reinsurance recoverable before discount recognised in the balance sheet as at 31 December 2008								**425,502**

Notes to the financial statements

24 Insurance and reinsurance contracts (continued)

Underwriting year table (continued)

	1999 and prior	2000	2001	2002	2003	2004	2005	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Net								
Estimate of cumulative claims:								
At end of underwriting year	2,464,755	279,988	246,611	413,628	656,540	915,305	485,743	
One year later	3,019,877	288,624	223,843	416,053	631,845	844,468	477,646	
Two years later	3,048,367	329,201	239,444	399,284	604,173	746,605	488,333	
Three years later	3,108,411	358,373	289,687	441,236	603,506	726,989	**500,068**	
Four years later	3,168,749	403,071	294,281	461,063	617,253	**721,344**		
Five years later	3,190,301	419,992	302,092	473,688	**595,579**			
Six years later	3,215,833	432,548	310,206	**468,864**				
Seven years later	3,224,119	431,860	**311,155**					
Eight years later	3,221,659	**431,261**						
Nine years later	**3,211,953**							
Estimate of net cumulative claims at 31 December 2008	**3,211,953**	**431,261**	**311,155**	**468,864**	**595,579**	**721,344**	**500,068**	**6,240,224**
Net cumulative payments at 31 December 2008	(3,079,044)	(382,144)	(261,387)	(407,153)	(487,119)	(564,194)	(333,215)	(5,514,256)
	132,909	**49,117**	**49,768**	**61,711**	**108,460**	**157,150**	**166,853**	**725,968**
Unearned element of reserves at 31 December 2008	-	-	-	-	-	-	-	-
Earned net non-life reserves before effect of discounting as at 31 December 2008	**132,909**	**49,117**	**49,768**	**61,711**	**108,460**	**157,150**	**166,853**	**725,968**
Net life and finite reserves as at 31 December 2008								**88,800**
Claims handling provisions as at 31 December 2008								**9,641**
Present value of net reserves before discount recognised in the balance sheet as at 31 December 2008								**824,409**

(1) In June 2000 the Group added a UK insurance and reinsurance license through the acquisition of The Imperial Fire And Marine Company Limited ('Imperial') (now called Alea London Limited). In acquiring this entity, the Group assumed insurance and reinsurance liabilities relating to 1999 and prior underwriting years written by Imperial. This explains the significant increase in cumulative claims in respect of 1999 and prior underwriting years that occurs in the table above between 31 December 1999 and 31 December 2000. The increase in gross cumulative claims in respect of 1999 and prior as a result of the acquisition was $1,620.2 million and the increase in ceded cumulative claims was $897.7 million.

(2) The underwriting year development table above includes all cumulative claims in respect of underwriting years 1987 to 2005. It also includes 1986 and prior underwriting year claims paid in calendar years 1999 to 2006, and the reserves in respect of 1986 and prior at each balance sheet date from 1999 to 2006.

(3) The insurance and reinsurance claims outstanding carried in the balance sheet of the Group include gross and ceded amounts in respect of Canadian structured settlement life business. The gross and ceded amounts match exactly, to leave no net liability. As these balances relate to life business they are excluded from the underwriting year development table. Consequently, in order to achieve reconciliation to the balance sheet gross and ceded claims outstanding, they are added back in the table above. The amount as at 31 December 2008 was $260.2 million (2007: $277.1 million).

(4) In the year ended 31 December 2008, the estimate of gross cumulative claims has been favourably impacted by $51.1 million in respect of foreign currency gains and commutation savings and the estimate of net cumulative claims has been favourably impacted by $41.6 million in respect of foreign currency gains and commutation savings.

25 Borrowings

The borrowings are repayable as follows:	As at 31 December 2008 $'000	As at 31 December 2007 $'000
On demand or within one year	-	-
In the second year	-	30,000
In the third to fifth years inclusive	-	-
After five years	**120,000**	120,000
Total borrowings	**120,000**	150,000
Less: Capitalised debt raising expenses	**(2,133)**	(2,215)
Total borrowings net of capitalised expenses	**117,867**	147,785

Analysis of borrowings:

	As at 31 December 2008 $'000	As at 31 December 2007 $'000
Amounts owed to credit institutions	-	30,000
Trust preferred securities	**120,000**	120,000
Total borrowings	**120,000**	150,000

All borrowings are recorded at fair value. The directors consider the carrying values disclosed above to be a reasonable approximation of the fair value at the year end.

25 Borrowings (continued)

Conditions attaching to amounts owed to credit institutions as at 1 January 2007
The three-year bank term loan of $200.0 million (of which $150.0 million had been drawn down) and the $50.0 million revolver carried an interest margin of 120 basis points, which was adjustable based upon the Standard and Poor's debt ratings for Alea. The $50.0 million revolver facility was additionally subject to a commitment fee of 40% of the applicable margin.

These borrowings fell due for repayment in September 2007. On 19 April 2007, the Group repaid $25.0 million of the term loan and all of $50.0 million revolver using its cash reserves, leaving an outstanding amount of $125.0 million as at 30 June 2007. This outstanding amount was repaid using the $90.0 million term loan detailed below along with $35.0 million of cash reserves.

Conditions attaching to the term loan agreed 6 July 2007
The Group drew down the maximum aggregate commitment under this new term loan agreement of $90.0 million. This was due for repayment in three equal instalments of $30.0 million on 16 October 2007, 14 January 2008 and 18 July 2009. However, the Group made an optional prepayment of $60.0 million on 18 July 2007. The remaining loan of $30.0 million was repaid on 14 January 2008. It carried an interest margin of 200 basis points over LIBOR.

Trust preferred securities
In December 2004, the Group issued $100.0 million of trust preferred securities and had in place a commitment for an additional $20.0 million of trust preferred securities issued in January 2005. These securities (issued from three Delaware trusts established by Alea Holdings US Company ('AHUSCO'), of which one trust was established in January 2005) provide for a preferred dividend at a rate of three month LIBOR plus 285 basis points. These securities allow for the postponement of preferred dividends under certain circumstances for up to five years. These securities carry no financial covenants and no cross default covenants, have a fixed maturity of 30 years, and are callable after five years. AHUSCO may not optionally redeem the Debentures and thereby retire the trust preferred securities until the interest payment date following the fifth anniversary of issue. The earliest call date is 15 March 2010 for the first issue and 15 June 2010 for the second and third issues. The holders of the Debentures may not call the Debentures prior to their maturity dates.

26 Provisions

	Restructuring Provision $'000
At 1 January 2007	5,241
Utilisation of provision due to onerous contracts	(2,448)
Utilisation of provision due to severance payments	(426)
Severance participation received due to sale of renewal rights	310
Exchange difference	160
At 31 December 2007	2,837
Utilisation of provision due to onerous contracts	(271)
Utilisation of provision due to severance payments	(923)
Additional restructuring provision established[1]	1,120
Exchange difference	45
At 31 December 2008	**2,808**

1 As a result of the outsourcing arrangement entered into in the year, an additional provision has been established to reflect contractual obligations made in respect of staff retention bonuses and severance payments.

For further details regarding the restructuring costs see note 6.

At 31 December 2008	
Current liabilities	**2,197**
Non-current liabilities	**611**
	2,808

At 31 December 2007	
Current liabilities	1,955
Non-current liabilities	882
	2,837

27 Other liabilities and charges

	Deferred reinsurance commission	Other accruals and deferred income [1]	Total
	$'000	$'000	$'000
At 1 January 2007	2,846	38,108	40,954
Change in the period	(1,405)	(6,550)	(7,955)
Exchange difference	-	236	236
At 31 December 2007	1,441	31,794	33,235
Change in the period	(575)	(10,344)	(10,919)
Exchange difference	-	(508)	(508)
At 31 December 2008	**866**	**20,942**	**21,808**

[1] Includes regulatory levies of $5.1 million for Alea US (2007: $4.7 million).

At 31 December 2008	
Current liabilities	**15,350**
Non-current liabilities	**6,458**
	21,808

At 31 December 2007	
Current liabilities	29,119
Non-current liabilities	4,116
	33,235

28 Trade and other payables

	As at 31 December 2008 $'000	As at 31 December 2007 $'000
Insurance balance payable	**4,543**	9,340
Reinsurance balance payable	**64,041**	105,220
Deposits received from reinsurers	**24,697**	33,530
Reserves withheld creditors	**859**	42,048
Liabilities from reinsurance operations not transferring significant risk	**278**	230
Other taxes and social securities	**807**	1,373
Total trade and other payables	**95,225**	191,741
Current liabilities	**25,830**	65,707
Non-current liabilities	**69,395**	126,034
	95,225	191,741

29 Consolidated statement of changes in equity

	Attributable to equity holders of the Company							
	Share capital	Share premium	Capital reserve	Revaluation reserve [1]	Hedging and translation reserves [2]	Retained earnings	Share-based payment reserve	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
As at 1 January 2008	1,738	629,668	75,381	(10,385)	13,925	(283,154)	866	428,039
Profit for the period						3,939		3,939
Revaluation on available for sale investments - gross				(21,224)				(21,224)
Revaluation on available for sale investments - tax				1,030				1,030
Movement in share-based payment reserve							345	345
Translation loss					(6,037)			(6,037)
As at 31 December 2008	1,738	629,668	75,381	(30,579)	7,888	(279,215)	1,211	406,092

	Attributable to equity holders of the Company							
	Share capital	Share premium	Capital reserve	Revaluation reserve [1]	Hedging and translation reserves [2]	Retained earnings	Share-based payment reserve	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
As at 1 January 2007	1,738	629,668	75,381	(23,697)	5,305	(204,974)	720	484,141
Loss for the period						(78,180)		(78,180)
Revaluation on available for sale investments - gross				14,342				14,342
Revaluation on available for sale investments - tax				(1,030)				(1,030)
Movement in share-based payment reserve							146	146
Translation gains					8,620			8,620
As at 31 December 2007	1,738	629,668	75,381	(10,385)	13,925	(283,154)	866	428,039

1 The revaluation reserve is a component of shareholders' equity that is used to record the difference between the market value of available for sale investments carried on the balance sheet and the amortised cost. In addition it includes an unrealised loss which arose as a result of the decision to reclassify the portfolio of non-agency US mortgage-backed securities into the loans and receivables category and carry them at amortised cost. The unrealised loss in respect of these assets is the difference between the market value and amortised cost as at 1 July 2008 and this loss is being amortised through the income statement using the effective interest method from the date of reclassification.

2 Movements in the unrealised gains and losses arising from the translation of the Group's assets and liabilities denominated in functional currencies of the Group are shown in the hedging and translation reserve.

30 Share capital

	As at 31 December 2008		As at 31 December 2007	
	Number '000s	$'000	Number '000s	$'000
Authorised:				
Common shares of $0.01	**1,000,000**	**10,000**	1,000,000	10,000
Total authorised	**1,000,000**	**10,000**	1,000,000	10,000
Allotted, called up and fully paid:				
Common shares of $0.01	**173,769**	**1,738**	173,788	1,738
Total allotted, called up share capital and fully paid	**173,769**	**1,738**	173,788	1,738

31 Stock options and restricted shares

Bermuda Plan

Alea Group Holdings AG (a former Group company which was merged with Alea Europe Ltd in 2005) had in place a stock purchase and option plan for key employees and advisors known as the 1998 Amended and Restated Stock Option Plan for Key Employees and Subsidiaries (the "Swiss Plan"). The Company adopted a 2002 Stock Purchase and Option Plan for Key Employees of the Company and its Subsidiaries, as amended (the "Bermuda Plan"), in connection with the re-domiciling of the ultimate parent company of the Group to Bermuda and all awards under the Swiss Plan are now governed by the terms of the Bermuda Plan. The terms of the Bermuda Plan are substantially similar to the terms of the Swiss Plan. All Alea Group Holdings AG non-voting participation shares and options were exchanged for common shares and options in connection with an equity exchange offer that was completed on 3 April 2002. In total, 15,000,000 common shares are authorised for use under the Bermuda Plan.

The exercise price of the options will be the fair market value of the common shares on the grant date. Generally, the options vest rateably over a five-year period except in the case of performance options where vesting is affected by attainment of certain pre-approved financial targets. The exercisability of the options accelerates upon a change of control of the Group. Options expire and are no longer exercisable on the tenth anniversary or in certain circumstances at the end of the three month period following such tenth anniversary of the grant date. The expiration of the options can accelerate due to termination of employment. Certain options granted contain shortened expiration and vesting periods.

The terms of the Company's common shares and the exercise price of the options to acquire company common shares on the purchase/grant date were determined by the Remuneration Committee in accordance with the terms of the Bermuda Plan. The Bermuda Plan was terminated as to future grants with effect from 19 November 2003.

Executive Plan

The Company's shareholders have adopted the Alea Executive Option and Stock Plan and the Alea Sharesave Plan ("Executive Plan"). The Executive Plan provides for the grant of time and performance options, restricted stock units and share savings for employees. The exercise price of options granted shall not be less than the middle market quotation for the Company's shares on the dealing day preceding the date of grant. The number of common shares granted in any period under all of the Company's employee share schemes (excluding shares issuable on exercise of options granted prior to 19 November 2003) may not exceed 10% of the Company's issued ordinary share capital. Generally, the vesting period of an option granted under the Executive Plan is subject to the discretion of the Board (or a committee thereof) provided that vesting for certain tax qualified options may not be earlier than 3 years or more than 10 years after the date of grant and unless any relevant performance conditions have been satisfied.

Notes to the financial statements

31 Stock options and restricted shares (continued)

Other
The company has issued to Fisher Capital Corp. LLC certain options to acquire common shares, which are fully vested and are exercisable within 15 years of the date of grant. These shares and options were not granted pursuant to either Plan.

Transactions involving common share options are disclosed in note 32.

32 Share-based payments

Equity-settled share option plan
The Group plans provide for a grant price equal to the average quoted market price of the Group shares on the date of grant. The vesting period is generally 5 years. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are typically contractually forfeited if the employee leaves the Group subject to certain exercise periods that apply to vested options and to certain options granted in 2005 pursuant to the Executive Plan.

	Year ended 31 December 2008		Year ended 31 December 2007	
	Number of options	**Weighted average exercise price in $**	**Number of options**	**Weighted average exercise price in $**
Options outstanding at beginning of year	**3,023,734**	**3.62**	4,688,676	3.68
Options granted during the year	-	-	-	-
Options forfeited during the year	**(313,254)**	**3.16**	(1,664,942)	3.78
Options exercised during the year	-	-	-	-
Options which expired during the year	-	-	-	-
Options outstanding at end of year	**2,710,480**	**3.39**	3,023,734	3.62
Options exercisable at end of year	**2,686,480**	**3.39**	2,509,850	3.56

Notes to the financial statements

32 Share-based payments (continued)

No options were exercised during the year. The options outstanding at 31 December 2008 had a weighted average exercise price of $3.39 (2007: $3.62), and the weighted average remaining contractual lives of those options are as follows.

	Year ended 31 December 2008						Year ended 31 December 2007				
	Range of exercise prices			Weighted Average Remaining Contractual Life	Number of share options outstanding	Range of exercise prices			Weighted Average Remaining Contractual Life	Number of share options outstanding
Options outstanding at end of year divided into meaningful ranges										
Share options issued in respect of Alea Group Holdings AG after repricing	$3.22	to	$3.22	0.27	12,600	$3.22	to	$3.22	0.97	60,880
Alea Group Holdings (Bermuda) Limited options granted pre - IPO	$3.22	to	$4.30	2.06	2,229,880	$3.22	to	$4.30	3.09	2,266,844
Alea Group Holdings (Bermuda) Limited options granted post - IPO	$3.21	to	$4.31	5.80	468,000	$3.21	to	$4.31	6.81	696,010
All options	$3.21	to	$4.31	2.70	2,710,480	$3.21	to	$4.31	3.91	3,023,734

No options were granted during the twelve months ended 31 December 2008 (2007: No options granted).

The Group recognised the following total expenses and repurchases in respect of equity-settled share-based payment transactions:

	Year ended 31 December 2008 '000	Year ended 31 December 2007 '000
Total expense recognised for the year arising from share-based payment transactions	**(125)**	187
RSU expense charged in year	**470**	(41)
Cash repurchases of vested options held by leavers	**-**	-
	345	146

Notes to the financial statements

33 Cash used in operations

	Year ended 31 December 2008 $'000	Year ended 31 December 2007 $'000
Profit/(loss) for the year	**3,939**	(78,180)
Adjustments for:		
- tax expense	**2,239**	100
- depreciation	**1,774**	2,534
- impairment loss recognised in respect of financial assets	**2,563**	-
Net cash flows for the period transferred to investing activities	**(45,276)**	(55,380)
Loss/(profit) on sale of property, plant and equipment	**11**	(16)
Debt interest expense	**7,511**	18,184
Profit on foreign exchange	**(7,668)**	(4,388)
Change in operating assets and liabilities (excluding the effect of acquisitions and exchange differences on consolidation)		
Net decrease in insurance liabilities	**(394,302)**	(444,459)
Net decrease in reinsurance assets	**143,649**	332,392
Net decrease in loans and receivables	**72,235**	179,495
Net decrease in other operating liabilities	**(105,429)**	(191,192)
Net movement in share-based payment reserve	**345**	146
Cash used in operations	**(318,409)**	(240,764)

Notes to the financial statements

34 Contingent liabilities

Structured settlements
The Group, through the Canadian branch of Alea Europe Ltd, has assumed ownership of certain structured settlements and has purchased annuities from life assurers to provide fixed and recurring payments to those underlying claimants. As a result of these arrangements, the Group is exposed to a credit risk to the extent that any of these insurers are unable to meet their obligations under the structured settlements. This risk is viewed by the Directors as being remote as the annuities are fully funded and the Group has only purchased annuities from Canadian insurers with a financial stability of AA or higher (Standard & Poor's). The Canadian branch is in run-off and the branch discontinued accepting assignments of annuities in August 2001.

In the event of all the relevant life insurers being unable to meet their obligations under the structured settlements, at 31 December 2008, the total exposure, net of amounts that may be recoverable from the Compensation Corporation of Canada (a Canadian industry-backed compensation scheme), is estimated to be $47.5 million Canadian Dollars ($47.9 million) and the maximum in relation to any one insurer $25.4 million Canadian Dollars ($25.6 million).

Subpoenas and requests for information/regulatory matters
In connection with a periodic market conduct examination, the California Department of Insurance has disputed certain fees collected from policyholders by two agents of one of the Group's subsidiaries. The Group disagrees with the Department's position, but is cooperating to audit these fee arrangements. The agreements with the agents involved have been terminated. It is not possible to predict the impact of this dispute on the Group's financial results.

Company contingent liabilities
In 2002 the Company entered into a top down guarantee with each of the Group's rated insurance operating entities. These guarantees were in addition to the pre-existing guarantees already in place between certain subsidiaries of the Group. Subject to applicable corporate and regulatory requirements, the top down guarantees required that the Company make funds available to the insurance operating entities to allow the entities to fulfil their insurance or reinsurance obligations to the client/customer incurred while the guarantee remained in effect. The Group terminated all top down and other intra-Group guarantees effective 30 November 2006.

Legion Companies in Liquidation
Alea Europe is in dispute with Legion Insurance Company (in liquidation) and Villanova Insurance Company (in liquidation) regarding the terms of an aggregate excess reinsurance reinsurance treaty that was automatically commuted on July 31 2006 in accordance with an agreed formula. Legion and Villanova have sought to draw a letter of credit in the amount of $6,818,480 in connection with their claim that amounts remain due under this treaty. Alea Europe sued Legion and Villanova in Connecticut District Court and obtained a temporary restraining order preventing Legion and Villanova from drawing the letter of credit. Based upon an agreement to arbitrate the matter, Alea Europe has withdrawn the litigation on condition that Legion not draw the letter of credit for sums relating to the aggregate excess reinsurance treaty until a final arbitration decision on the matter has been rendered. Alea Europe intends to vigorously pursue its interests in this matter.

35 Exposure to specific credit risk

Exposure to Lumbermens

In connection with the Group's acquisition of the Equus Re reinsurance division of Lumbermens on 3 December 1999, Alea (Bermuda) Ltd and Lumbermens entered into a 100% quota share reinsurance of the Lumbermens business written by Equus Re through 3 December 1999 (namely, business written by Equus Re prior to the Group's acquisition of the Equus Re operations). Lumbermens, in turn, provides stop loss reinsurance to Alea (Bermuda) Ltd for losses in excess of a 75% paid loss ratio on the same business incepting prior to 1 October 1999 (the "Protected Business"). In addition to the Protected Business, the parties agreed that the Group would write new and renewal business on behalf of Lumbermens (as the reinsurer) up to 31 December 2001, which business is ceded by a 100% quota share reinsurance to Alea (Bermuda) Ltd (the "Fronted Business"). Concurrent with these arrangements, Lumbermens retained Alea North America Company ("ANAC") as its agent to adjust and pay claims and collect premiums for both the Protected Business and the Fronted Business.

The respective obligations of Alea (Bermuda) Ltd and Lumbermens noted above are subject to contractual mutual offset provisions under the reinsurance agreements and as permitted under Illinois law. Further, in respect of the Protected Business, Lumbermens is contractually required to fund losses on its own behalf once the 75% paid loss ratio is met. The Group's balance sheet therefore, records (i) no net balance due from Lumbermens under the Protected Business, as the 75% paid loss ratio was met in late December 2003 (specifically, $64.35 million due to and from Lumbermens), and (ii) as at 31 December 2008, an aggregate balance due to Lumbermens under the Fronted Business and in respect of business written by Equus Re between 1 October 1999 and 3 December 1999 of $37.4 million (2007: $39.2 million), after taking credit for amounts treated as paid for accounting purposes.

As is required for credit for reinsurance purposes when cessions are made to non-US licensed reinsurers, Alea (Bermuda) Ltd must collateralise its obligations to Lumbermens. Pursuant to contract, the amount of posted collateral is required to equal 120% of the estimated loss reserves, which based on the above year-end balance due from Alea (Bermuda) Ltd would be approximately $44.9 million (2007: $47.0 million).

Alea (Bermuda) Ltd and Lumbermens continue to disagree over the level of reserves requiring collateralisation. However, following commutations completed in 2008 with Lumbermens with respect to certain ceding companies and a further release of collateral at the request by Alea (Bermuda) Ltd, on 31 December 2008, the market value of the posted collateral was $79.8 million (31 December 2007 $99.4 million). Either party may require an independent actuarial estimate of applicable reserves to resolve their differences with regard to the required collateral calculation. Neither party has required another independent reserve estimate since the last independent reserve estimate dated as of 30 September 2004.

Lumbermens risk based capital level allows the Illinois Department of Insurance to assume control of Lumbermens at its discretion. The mutual obligations of Alea (Bermuda) Ltd and Lumbermens described above are subject to contractual mutual offset provisions under the agreements and as permitted under Illinois law. Accordingly, having taken legal advice, the Group believes that the Group should not be exposed to material credit risk resulting from these arrangements with Lumbermens. However, no assurance can be given that a court would uphold these mutual offset provisions and contractual rights.

Notes to the financial statements

36 Related party transactions

Kohlberg Kravis Roberts & Co., L.P./Fisher Capital Corp. L.L.C.
At 30 June 2007, certain parties related to Kohlberg Kravis Roberts & Co., L.P. owned in excess of 40% of the Company's issued shares. In connection with that ownership, the Company had in place certain relationship, management rights, shareholder and advisory fee agreements, as amended with Kohlberg Kravis Roberts & Co., L.P., KKR 1996 Fund (Overseas), Limited Partnership, KKR Partners (International), Limited Partnership and Fisher Capital Corp. L.L.C. These agreements were further described in the Company's Listing Particulars dated 14 November 2003 and provided for annual advisory fees of $750,000 payable to Kohlberg Kravis Roberts & Co., L.P., an affiliate of KKR 1996 Fund (Overseas), Limited Partnership, a shareholder and KKR Partners (International), Limited Partnership, also a shareholder and $350,000 payable to Fisher Capital Corp. L.L.C., also a shareholder. In connection with negotiations pertaining to acquisition of control of the Company by FIN Acquisition Limited, Kohlberg Kravis Roberts & Co., L.P. and Fisher Capital Corp. LLC agreed to waive payment of these fees for the period commencing 1 April 2007. These agreements were terminated effective 5 July 2007 in connection with the acquisition of control of the Company by FIN Acquisition Limited. In 2008 Kohlberg Kravis Roberts & Co., L.P. and Fisher Capital Corp. LLC received $nil under these agreements (2007:$187,500 and $87,500 in advisory fees, respectively). As at 31 December 2008 the balance due under these arrangements was $nil (31 December 2007: $nil). Certain of the Company's former Directors held interests in these entities as described in the Directors' Report included within the Annual Report 2006.

Fortress Investment Group LLC
At 31 December 2008, certain funds managed by affiliates of Fortress Investment Group LLC ("Fortress") owned 72.41% of the Company's issued shares. Effective 1 October 2007 the Company put in place an advisory fee agreement with FIG LLC, a Fortress affiliate ("FIG"), under which the Company has agreed to pay FIG $1 million per year, payable quarterly in arrears, for advisory services. At 31 December 2008, FIG had received $1 million. As at 31 December 2008 the balance due under these arrangements was $nil. The Fortress Directors' beneficial interests in common shares of the Company as at 31 December 2008 were as follows:

Name of Director	Number of common shares
Robert I Kauffman[1]	125,826,832
Randal A Nardone[1]	125,826,832

[1] Robert Kauffman and Randal Nardone are members of the Joint Investment Committee formed pursuant to the terms of a Joint Investment Committee Agreement ("JICA") by and among FIG Corp., Fortress Investment Group LLC (the direct parent of FIG Corp.), Fortress Operating Entity I LP, Fortress Operating Entity II LP, Messrs Kauffman, Nardone, Peter L. Briger Jr., Wesley R. Edens and Michael R. Novogratz. Under the terms of the JICA, each other party to the Joint Investment Committee Agreement has delegated all power to control, to direct or to cause the direction of the management and policies of the Company to Messrs Kauffman, Nardone and Edens. As such Messrs Kauffman and Nardone are interested in the 125,826,832 common shares owned by FIN Acquisition Limited, an indirect wholly-owned subsidiary of certain funds managed by affiliates of Fortress.

In connection with services involving potential acquisition opportunities in the property and casualty insurance sector that may be performed by Mark Cloutier, this executive director of the Company entered into a consultancy agreement effective 1 October 2007 with Fortress Capital Finance III (A) LLC, a Fortress affiliate, whereby he would be paid $2,000 per day spent on such activities plus a discretionary bonus. At 31 December 2008, $Nil had been paid or accrued under this arrangement.

36 Related party transactions (continued)

Investment Management
Fortress Fund IV Advisor LLC ("FFIVA"), a Fortress affiliate, provides investment management services to the Company and certain of its subsidiaries pursuant to investment management agreements. FFIVA is paid a flat service fee of 11 basis points per annum on the total asset market value of the assets under management, payable quarterly in arrears. At 31 December 2008, FFIVA had approximately $58.1 million (market value) in assets under management and $89,250 had been accrued for these services and $nil had been paid.

Loans to officers
Loans to officers were offered in connection with their purchase of Company shares and are interest bearing, full recourse and made on consistent terms as those to other employees.

As at 31 December 2008 the Group had received repayment of all loans made to key management personnel and had loans to key management personnel, in aggregate principal amounts of $nil (31 December 2007: $nil). The number of key management personnel that had outstanding loans at 31 December 2008 was $nil (31 December 2007: nil). Key management personnel are as described below.

Appleby
Timothy C Faries, a Director of the Company until 5 July 2007, is a partner and the Insurance Team Practice Leader at Appleby, Barristers & Attorneys, in Bermuda. In 2007, from 1 January to 5 July the Company paid $81,866 (2006: $49,338 from 1 January to 31 December) in respect of fees for legal and corporate administrative services provided by Appleby. Mr Faries resigned as a director on 5 July 2007.

As at 31 December 2008 the amount outstanding to Appleby was $16,199 (31 December 2007: $nil).

Key management personnel
The Group considers its key management personnel to include its Directors and those members of management reporting directly to its Executive Directors that have executive management responsibility for Group-wide operations.

Remuneration of key management personnel
The remuneration of the Directors and those members of management reporting directly to its Executive Directors that have executive management responsibility for Group-wide operations, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. For the period ended 31 December 2008 this included 8 individuals (2007: 14).

	Year ended 31 December 2008 $	**Year ended 31 December 2007 $**
Short-term employee benefits	**3,040,840**	6,512,367
Post-employment benefits	**116,372**	62,250
Other long-term benefits	**nil**	nil
Termination benefits	**278,925**	127,244
Share-based payment	**nil**	nil
Total	**3,436,137**	6,701,861

36 Related party transactions (continued)

Key management personnel employment and retention contracts

Members of the Group have entered into employment and retention contracts with Executive Directors and/or certain members of key management, in each case taking into account the practices in the jurisdiction where the Group operates. Compensation and termination benefits in the table above include amounts paid or accrued in 2007 and 2008 with respect to Executive Directors and certain members of key management under such contracts, to the extent not reported in earlier periods.

Share and loan transactions with members of key management (information as at 31 December 2008)

Thomas Weidman

Mr Weidman was granted a $99,999 loan in connection with the share purchase program, bearing interest at 3.7665% and repayable in instalments of 20% each 31 August commencing in 2006. The Board approved a deferral of principal and interest on Mr Weidman's loan in 2006. Mr Weidman fully repaid the principal balance of his loan plus accrued interest in July 2007 with the proceeds of the sale of his shares of the Company. In accordance with the terms of his restricted stock unit award, Mr Weidman was issued 6,543 shares on 21 September 2006. In connection with his separation arrangements, on 31 March 2007, Mr Weidman forfeited his remaining 19,629 restricted stock units.

Mark Cloutier

Mr Cloutier was awarded 140,647 restricted stock units on 19 June 2008. These restricted stock units were awarded pursuant to Part C of the Alea Group Executive Option and Stock Plan. The restricted stock units were priced in accordance with the terms of the Plan. The Restricted Stock Units vested 33% on 31 December 2008; 33% more will vest on 31 December 2009 and the remainder will vest on 31 December 2010 and are not subject to financial performance requirements.

Kirk Lusk

Mr Lusk was granted a $49,998 loan in connection with the common share purchase program, bearing interest at 4.1625% and repayable in instalments of 20% each 31 August, commencing in 2005. The Board approved a deferral of principal repayment on Mr Lusk's loan in 2005. In October 2006, Mr Lusk paid the 2006 principal instalment of $10,000 on this loan plus accrued interest of $2,118 through the instalment payment date. In September 2007, Mr Lusk repaid the full principal balance of his loan and accrued interest with the proceeds of the tender of his shares to FIN Acquisition Limited.

36 Related party transactions (continued)

Share and loan transactions with members of key management (information as at 31 December 2008) (continued)

Carl Speck

Mr Speck received an advance in the amount of $8,000 from a subsidiary of the Company in payment of advance rental due to his landlord in the United States as a result of his relocation to the United States at the Company's request. This amount was repaid in 2008. In addition the Company has paid a rental deposit of $16,000 on behalf of Mr Speck that is due back at the end of the lease. The rental deposit was paid under a residential lease between Mr Speck and his landlord that was co-signed by a subsidiary of the Company.

Mr Speck was awarded 140,647 restricted stock units on 19 June 2008. These restricted stock units were awarded pursuant to Part C of the Alea Group Executive Option and Stock Plan. The restricted stock units were priced in accordance with the terms of the Plan. The Restricted Stock Units vested 33% on 31 December 2008; 33% more will vest on 31 December 2009 and the remainder will vest on 31 December 2010 and are not subject to financial performance requirements.

George Judd

Mr Judd was awarded 140,647 restricted stock units on 19 June 2008. These restricted stock units were awarded pursuant to Part C of the Alea Group Executive Option and Stock Plan. The restricted stock units were priced in accordance with the terms of the Plan. The Restricted Stock Units vested 33% on 31 December 2008; 33% will vest on 31 December 2009 and the remainder will vest on 31 December 2010 and are not subject to financial performance requirements.

37 Retirement benefit scheme

Defined contribution schemes
The employees of the Group are covered by defined contribution schemes the costs of which are charged to the income statement when incurred. The total cost of retirement benefits for the Group in the year ended 31 December 2008 was $1.3 million (31 December 2007: $1.6 million).

38 Operating leases

At the following balance sheet dates, the Group was committed to paying total future minimum lease payments under non-cancellable operating leases in each of the following periods:

	Year ended 31 December 2008			Year ended 31 December 2007		
	Land and buildings $'000	Other $'000	Total $'000	Land and buildings $'000	Other $'000	Total $'000
- within one year	**2,477**	**40**	**2,517**	2,883	52	2,935
- between two and five years	**3,304**	**35**	**3,339**	5,758	2	5,760
- over five years	**-**	**-**	**-**	-	-	-
	5,781	**75**	**5,856**	8,641	54	8,695

The total of future minimum sublease payments expected to be received under non-cancellable subleases at 31 December 2008 was $2.7 million (31 December 2007: $3.6 million).

The gross amount incurred under operating leases during the period ended 31 December 2008 was $3.5 million (31 December 2007: $5.2 million) before deducting income receivable from subleases of $1.0 million (31 December 2007: $1.0 million).

39 Events after the balance sheet date

Non-agency US mortgage-backed option ARM securities held in Group portfolios with a book value of $170.1 million were downgraded by Moody's in February 2009, in some cases directly from Aaa to Ca. Standard & Poor's continues to maintain $164.4 million of these investments with investment grade ratings, in most cases at AAA, subject to negative credit watch. In addition, a majority of the Group's holdings of non-agency US mortgage-backed subprime securities have been placed on negative credit watch by these two rating agencies. While the Group has the current intention and the ability to continue to hold its portfolio of non-agency US mortgage-backed securities, a substantial portion of these securities are pledged as collateral and are subject to minimum rating and valuation requirements.

These collateral mechanism requirements have varying thresholds regarding the ratings of the pledged securities. In addition, these collateral mechanisms require Group companies to maintain collateral with a market value at least equal to the secured liabilities.

As of the date of this statement, deterioration in ratings and valuations of the Group's non-agency US mortgage-backed securities have not required any change in the Group's buy and hold strategy, but further deterioration in ratings or valuations could require that a significant amount of the assets currently pledged as collateral be replaced or supplemented with other qualifying assets

39 Events after the balance sheet date (continued)

The Group believes it currently has the financial flexibility to address this without having to liquidate holdings of non-agency US mortgage-backed securities. At year end 2008, the Group had available $288.4 million of unpledged other liquid investments by jurisdiction as follows: United States: $86.3 million; United Kingdom: $114.2 million; Switzerland: $24.9 million; Bermuda: $63.0 million of which $28.0 million was in cash and cash equivalents immediately available to the Company. Transfers of these assets between jurisdictions may, however, be subject to tax and regulatory constraints. An additional $12.5 million is available to the Company through a newly existing inter-company loan facility.

Valuations of non-agency US mortgage-backed securities have been very volatile and if sales of non-agency US mortgage-backed securities assets are required to obtain other qualifying assets, the Group would reduce net assets in the amount of the shortfall between the sale price and the book value on an amortised cost basis. As of 28 February 2009 the book value of the non-agency US mortgage-backed securities was $165.1 million higher than the market value provided by the Group's pricing service, Interactive Data Corporation.

For further clarification purposes, the Group provides the following tables—note that SVO 1 is equivalent to Standard and Poor's/Moody's AAA/Aaa to A-/A3; SVO 2 is equivalent to Standard and Poor's/Moody's BBB+/Baa1 to BBB-/Baa3; SVO 3 is equivalent to Standard and Poor's/Moody's BB+/Ba1 to BB-/Ba3; SVO 4 is equivalent to Standard and Poor's/Moody's B+/B1 to B-/ B3, SVO 5 is equivalent to Standard and Poor's/Moody's CCC+/Caa1 to CCC-/Caa3; and SVO 6 is equivalent to Standard and Poor's/Moody's CC/Ca to D/C.

As of 28 February 2009

Moody's SVO equivalent Rating	S&P SVO equivalent Rating	%	Amortised Cost	Market Value
Subprime				
SVO1-2	SVO1-2	44.2%	$176.1	$123.7
NR	SVO1-2	3.7%	$14.7	$7.0
SVO1-2	SVO3-4	1.0%	$3.8	$2.3
SVO3-4	SVO1-2	8.4%	$33.3	$23.2
Total Subprime		**57.3%**	**$227.9**	**$156.2**
Option ARM				
SVO1-2	SVO1-2	3.2%	$12.8	$5.0
SVO3-4	SVO1-2	14.9%	$59.2	$30.5
SVO5-6	SVO1-2	23.2%	$92.4	$38.2
SVO5-6	SVO3-4	1.4%	$5.7	$3.0
Total Option ARM		**42.7%**	**$170.1**	**$76.7**
Total MBS		**100.0%**	**$398.0**	**$232.9**

[1] SVO1-2 reflects investment grade. SVO3 and lower is below investment grade.

Notes to the financial statements

40 Group subsidiaries

The consolidated financial information presents the financial record of the Group for the years ended 31 December 2008 and 31 December 2007. A list of all investments in Group subsidiaries, including the name and country of incorporation is given below. All companies listed are wholly owned subsidiaries of the Group and are fully consolidated into the Group accounts.

The ultimate parent company of the Group is Alea Group Holdings (Bermuda) Ltd.

Details of the Company's subsidiaries at 31 December 2008 are as follows:

Name of subsidiary	Place of incorporation (or registration) and operation	Proportion of ownership interest in %	Proportion of voting power held in %
Alea Europe Ltd	Switzerland	100	100
Alea (Bermuda) Ltd	Bermuda	100	100
Alea Holdings US Company	USA	100	100
Alea North America Insurance Company	USA	100	100
Alea North America Company	USA	100	100
Alea Holdings UK Limited	England and Wales	100	100
Alea London Limited	England and Wales	100	100
Alea Services UK Limited	England and Wales	100	100
Alea Services AG	Switzerland	100	100
AHUSCO Statutory Trust I	USA	100	100
AHUSCO Statutory Trust II	USA	100	100
AHUSCO Statutory Trust III	USA	100	100
Alea Syndicate Management Limited	England and Wales	100	100
Alea Corporate Member Limited	England and Wales	100	100

SHAREHOLDER INFORMATION

Forward Looking Statements

Certain statements made in this report that are not based on current or historical facts are forward-looking in nature including, without limitation, statements containing the words 'believes,' 'anticipates,' 'plans,' 'projects,' 'intends,' 'expects,' 'estimates,' 'predicts,' 'targets' and words of similar import. All statements other than statements of historical facts including, without limitation, those regarding the Group's financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives) are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Group to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. In particular, forecasting of reserves for future losses is based on historical experience and future assumptions. As a result they are inherently subjective and may fluctuate based on actual future experience and changes to current or future trends in the legal, social or economic environment. Forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. These forward-looking statements speak only as at the date of this report or other information concerned. Alea Group Holdings (Bermuda) Ltd expressly disclaims any obligations or undertaking (other than reporting obligations imposed on us in relation to our listing on the London Stock Exchange) to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any changes in the Group's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. References in this paragraph to the Group are to Alea Group Holdings (Bermuda) Ltd and its subsidiaries from time to time.

Registrar

Appleby Services (Bermuda) Ltd., Canon's Court,
22 Victoria Street, Hamilton HM12, Bermuda. T +1 441 295 1443

United Kingdom transfer agent, paying agent and depositary interests registrar

Shareholders based in the United Kingdom who hold share certificates and holders of depositary interests on the CREST system should contact:

Capita Registrars Ltd, The Registry, 34 Beckenham Road, Beckenham,
Kent BR3 4TU, United Kingdom.
T 0871 664 0300 (within the UK – calls cost 10p per minute plus network extras)
or +44 20 8639 3399 (outside the UK)

Alea has appointed Capita Registrars Ltd as a transfer agent in the United Kingdom with the authority to remit transfers to the registrar or the branch registrar in respect of shareholders holding share certificates in the United Kingdom and to act as paying agent for all depositary interest holders and shareholders.

United States transfer agent and branch registrar

Shareholders holding share certificates (other than shareholders based in the United Kingdom) or shares via book entry through our United States Transfer Agent and Branch Registrar should contact:

BNY Mellon Shareowner Services, 480 Washington Boulevard,
Jersey City, New Jersey 07310, United States.
T 1 800 522 6645 (within the US)
or +1 201 329 8660 (outside the US)

Alea has appointed BNY Mellon Shareowner Services (formerly known as Mellon Investor Services LLC) as a branch registrar to manage the shareholder register, ensuring that all information held about Alea's shareholders is kept up to date.

Changes to personal details

As a shareholder or a holder of a depositary interest in CREST, you may be sent information about Alea. If you are a shareholder based in the United Kingdom who holds share certificates, it is important to ensure that Capita Registrars Ltd is kept up to date about any changes to your personal details, such as your name and home address. Holders of depositary interests in CREST should refer to the appropriate CREST procedure to update their details. If you otherwise hold share certificates or shares via book entry through our United States transfer agent and branch registrar, it is important to ensure that BNY Mellon Shareowner Services is kept up to date about any changes to your personal details, such as your name and home address. Further details are given in the frequently asked questions section.

Internet

The annual report and accounts, interim statements and other useful information on the Company are available through the internet at www.aleagroup.com.

Annual General Meeting

We welcome the views of shareholders and hope that you will be able to attend the Company's Annual General Meeting, which will be held at:

Alea Group Holdings (Bermuda) Ltd., Crown House, 3rd Floor, 4 Par-la-Ville Road,
Hamilton HM 08, Bermuda.

at 10:00 am Bermuda time on 18 June 2009. The Notice of the Meeting and the Proxy Form accompany this document. If you are unable to attend the Annual General Meeting to ask a question in person, you may write to us at:

Crown House, 3rd Floor, PO Box HM 2983, 4 Par-la-Ville Road,
Hamilton HM 08, Bermuda

or contact us through our Group website at www.aleagroup.com.

SHAREHOLDER INFORMATION (CONTINUED)

Shareholder Information

For further information about Alea, please contact Mark Cloutier, Group Chief Executive Officer c/o Alea Group Holdings (Bermuda) Ltd., Crown House, 3rd Floor, PO Box HM 2983, 4 Par-la-Ville Road, Hamilton HM 08, Bermuda. T +1 441 296 9150. E mail: mark.cloutier@aleagroup.com.

The Group's share price is shown on the Company's website and on www.londonstockexchange.com.

Registered Office

Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.
T +1 441 295 2244

Registered Number in Bermuda

31408

Worldwide Group Office

Crown House, 3rd Floor, PO Box HM 2983, 4 Par-la-Ville Road,
Hamilton HM 08, Bermuda. T +1 441 296 9150

FREQUENTLY ASKED QUESTIONS

Q: I have recently moved. Who should I tell?

A: If you are a shareholder based in the United Kingdom who holds share certificates, you should notify Capita Registrars Ltd in writing at the address indicated above, remembering to clearly state your old address. Holders of depositary interests in CREST should refer to the appropriate CREST procedure to update their details. If you otherwise hold share certificates or shares via book entry through our United States transfer agent and branch registrar, you should notify BNY Mellon Shareowner Services in writing at the address indicated above, remembering to clearly state your old address. If you hold shares in joint names, the shares will be registered in the name of the person who appears first on your share certificate and the letter must be signed by them.

Q: What do I do if I change my name?

A: To ensure the shares are registered in your new name, you will need to notify Capita Registrars Ltd in writing if you are a shareholder based in the United Kingdom who holds share certificates. Holders of depositary interests in CREST should refer to the appropriate CREST procedure to update their details. You will need to notify BNY Mellon Shareowner Services if you otherwise hold share certificates or shares via book entry through our United States transfer agent and branch registrar. You will also need to enclose evidence of the change, for example, a marriage certificate or change of name deed (please do not send the original), or a certified name change document if you are a company or other entity, together with your share certificates, if applicable, and any uncashed dividend cheques. New documents can then be issued in the correct name.

Q: I receive multiple sets of information whenever you send anything to me. How can I make sure that in the future only one copy is sent?

A: If you have acquired shares on more than one occasion, your shareholdings may have been recorded on the share register with slightly different details. As a result, two or more accounts may have been set up for you. Sometimes we need to maintain more than one account, for example, if you hold shares in your own name and also in joint names with your partner; however sometimes multiple accounts can be amalgamated. Please notify Capita Registrars Ltd or BNY Mellon Shareowner Services, as appropriate, of any accounts you believe should be amalgamated. They will do so if it is possible.

Q: My share certificate has been lost/stolen. What should I do to obtain a replacement?

A: You should immediately inform Capita Registrars Ltd if you are a shareholder based in the United Kingdom, or BNY Mellon Shareowner Services if you are not a shareholder based in the United Kingdom. They will require you to pay an administration charge, and they will send you a form of indemnity. The indemnity is required to protect Alea from the potential misuse of the missing share certificate and must be returned before a new certificate can be issued.

Q: I would like to transfer shares to someone I know. How do I arrange this?

A: As these transactions do not involve a stockbroker, you can use a stock transfer form. You can obtain a form from Capita Registrars Ltd if you are a shareholder based in the United Kingdom who holds share certificates. You can obtain a form from BNY Mellon Shareowner Services if you otherwise hold share certificates or shares via book entry through our United States transfer agent and branch registrar.

Q: My partner/relative has died. What should I do about their shareholding?

A: Contact Capita Registrars Ltd if your partner/relative was a shareholder based in the United Kingdom who held share certificates and they will guide you through what you need to do. Holders of depositary interests in CREST should refer to the appropriate CREST procedure to update their details. Contact BNY Mellon Shareowner Services if your partner/relative otherwise held share certificates or shares via book entry through our United States transfer agent and branch registrar, and they will guide you through what you need to do.

Q: Can I elect to receive any dividend or distribution payment in a currency other than US Dollars?

A: Yes. Shareholders will have the option to receive dividends in US Dollars, British Pounds or Swiss Francs. Shareholders may make currency elections by returning a currency election form to the paying agent, Capita Registrars Ltd. A currency election form can be obtained from Capita Registrars Ltd. If no election is made, shareholders will receive US Dollars. If a shareholder has already submitted a currency election form, future dividend payments will continue be made in accordance with that election unless they submit a new form to Capita Registrars Ltd. The British Pound or Swiss Franc equivalent of any dividend will be calculated by reference to an exchange rate prevailing on a date prior to payment selected by the Company. Dividend cheques will be drawn on a UK bank account.

FINANCIAL CALENDAR

APRIL

30 April 2009*
Announcement of First Interim Management Statement

JUNE

18 June 2009
Annual General Meeting

AUGUST

27 August 2009*
Announcement of results for six months ending 30 June 2009

OCTOBER

30 October 2009*
Announcement of Second Interim Management Statement

MARCH

18 March 2010*
Announcement of results for 2009

** Provisional date*

Alea Group Holdings (Bermuda) Ltd
Crown House, 3rd Floor
PO Box 2983
Hamilton HM 08
Bermuda
www.aleagroup.com

File No. 82-34885

Regulatory Announcement

Go to market news section

Company	Alea Group Holdings(Bermuda) Ltd
TIDM	ALEA
Headline	Director/PDMR Shareholding
Released	07:00 02-Feb-09
Number	5518M07

RNS Number : 5518M
Alea Group Holdings(Bermuda) Ltd
02 February 2009

Alea Group Holdings (Bermuda) Ltd. (the "Company")

Delivery of Common Shares in Connection with Prior Award of Restricted Stock Units to Executive Director and Persons Discharging Managerial Responsibilities

Hamilton, Bermuda. On 30 January 2009, in accordance with the vesting and delivery provisions of a previously announced award of Restricted Stock Units effective 19 June 2008, the Company issued and delivered common shares as follows:

Name of Persons Discharging Managerial Responsibilities/Executive Director:	Title:	No. of Ordinary Shares, par value $0.01 per share, issued and delivered:	No. of Ordinary Shares, par value $0.01 per share, beneficially owned following the award (assuming full vesting of all Restricted Stock Units and assuming exercise of all outstanding options held):
Mark B. Cloutier	Executive Director and CEO	46,413	140,647
Carl E. Speck	Senior Vice President and Interim Group CFO	46,413	187,487
George P. Judd	Senior Vice President Group General Counsel and Secretary	46,413	384,707

The Restricted Stock Units were granted pursuant to Part C of the Alea Group Executive Option and Stock Plan and are further described in the Company's RNS announcement dated 25 June 2008.

This notification relates to transactions notified in accordance with DTR 3.1.4R(1)(a).

Please contact George P. Judd, Group Secretary & General Counsel, Alea Group Holdings (Bermuda) Ltd. +441 296 9150 with any queries.

END

Close

File No. 82-34885

Regulatory Announcement

Go to market news section

Company	Alea Group Holdings (Bermuda) Ltd
TIDM	ALEA
Headline	Total Voting Rights
Released	07:01 02-Feb-09
Number	5308M07

RNS Number : 5308M
Alea Group Holdings(Bermuda) Ltd
02 February 2009

Total Voting Rights and Capital

In conformity with DTR 5.6, we would like to notify the market of the following:

As at 31 January 2009, the issued share capital and voting rights of Alea Group Holdings (Bermuda) Ltd. consists of 173,908,465 common shares of US $0.01 each with voting rights attached (one vote per common share).

There are nil shares held in Treasury.

Therefore the total number of voting rights in Alea Group Holdings (Bermuda) Ltd. is 173,908,465.

The above figure of 173,908,465 may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change in their interest in, Alea Group Holdings (Bermuda) Ltd. under the FSA's Disclosure and Transparency Rules.

For further information, please contact:

George Judd
Group General Counsel & Secretary
+1 441 296 9150

END

Close

File No. 82-34885

Regulatory Announcement

Go to market news section

Company	Alea Group Holdings(Bermuda) Ltd
TIDM	ALEA
Headline	Full Year Results
Released	07:00 19-Mar-09
Number	1132P07

RNS Number : 1132P
Alea Group Holdings(Bermuda) Ltd
19 March 2009

Alea Group Holdings (Bermuda) Ltd
Audited results for the 12 months ended 31 December 2008

Alea announces full year 2008 results and provides an update on run-off

Financial Performance

- Insurance contracts liabilities decreased by 22.5% from $1,549.9 million at 31 December 2007 to $1,201.2 million at 31 December 2008[1].
- Investment income was $76.9 million on average invested assets of $1,374.8 million (31 December 2007: $73.1 million on average invested assets of $1,687.9 million) reflecting a change in the investment strategy adopted by the Group.
- Other operating expenses for 2008 were $41.5 million (2007: $59.7 million)
- The result of operating activities was a profit of $19.5 million (2007: a loss of $56.4 million).
- Adverse reserve development, net of reinsurance and excluding the impact of commutations and discount in the year ended 31 December 2008 was $11.8 million (2007: adverse reserve development of $29.9 million, net of reinsurance and excluding the impact of commutations and discount).
- Profit after tax in 2008 of $3.9 million (2007: loss after tax of $78.2 million) which on a per share[2,3] basis was a profit of $0.02 (2007: loss per share of $0.45).
- Net asset value of $2.34 per share compared with $2.46 per share as at 31 December 2007, including the impact of unrealised losses on investments.
- On 14 January 2008 the Group repaid all of its outstanding bank loans.
- The Company[4] received $29.5 million capital returns from operations, net of reinvestment of capital in operating companies, during 2008 (2007: $60.0 million).

Significant Events and Directorate Changes

As previously disclosed, Alea London Limited commuted a large excess of loss reinsurance contract on 11 January 2008, effective 31 December 2007. In addition, the Group prepaid its $30.0 million outstanding bank loan on 14 January 2008. Other than the details provided in the relevant notes to the Group's Annual Financial Report for the year ended 31 December 2007, these events have had no further significant effect on the financial position of the Group.

During the period, the Group announced that Mr Kirk Lusk had tendered his resignation from his positions as Group Chief Financial Officer and Chief Operating Officer and as a director of the Company and of any of its subsidiaries of which he was a director, effective 31 March 2008. Mr Carl Speck was appointed as Interim Chief Financial Officer, effective 31 March 2008 and as Chief Financial Officer, effective 18 March 2009.

During the period, the Group disclosed the resignation of Gregory Share as a non-executive director of the Company with effect from 28 July 2008, and the appointment of Constantine Darras as a non-executive director of the Company with effect from 28 July 2008.

On 18 March 2009, Constantine Darras tendered his resignation as a non-executive director of the Company with effect from 18 March 2009.

Dividend

The Company has not proposed a dividend for the 2008 financial year (2007: $nil).

Notes

1. Except where specifically indicated all statements refer to the twelve months ended 31 December 2008 or 31 December 2007.
2. Weighted average number of ordinary shares of 173.8 million on an undiluted basis (2007: 173.8 million), 174.0 million on a diluted basis (2007: 173.8 million).
3. Basic and diluted profit per share are the same value on a rounded basis.
4. "Company" refers to Alea Group Holdings (Bermuda) Ltd only. "Group" or "Alea" refers to Alea Group Holdings (Bermuda) Ltd and all its subsidiaries.

Financial information presented herein has been prepared in accordance with International Financial Reporting Standards ("IFRS").

Your attention is drawn to the further information contained in the following sections of this document. You should read the whole of this document and not just rely on the information contained in this head line summary, which is qualified in its entirety by the further information contained elsewhere in this document.

For further information, please contact:

Mark Cloutier
+1 441 296 9150

Sheel Sawhney
+1 860 258 6524

Financial Dynamics
Robert Bailhache
Nick Henderson
+44 20 7269 7114

Past performance cannot be relied upon as a guide to future performance.

Certain statements made in this document that are not based on current or historical facts are forward-looking in nature including, without limitation, statements containing words "believes," "anticipates," "plans," "projects," "intends," "expects," "estimates," "predicts," and words of similar import. All statements other than statements of historical facts including, without limitation, those regarding the Group's financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives) are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Group to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. In particular, forecasting of reserves for future losses is based on historical experience and future assumptions. As a result they are inherently subjective and may fluctuate based on actual future experience and changes to current or future trends in the legal, social or economic environment. Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. These forward-looking statements speak only as at the date of this document or other information concerned. Alea Group Holdings (Bermuda) Ltd expressly disclaims any obligations or undertaking (other than reporting obligations imposed on us in relation to our listing on the London Stock Exchange) to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any changes in the Group's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. References in this paragraph to the Group are to Alea Group Holdings (Bermuda) Ltd and its subsidiaries from time to time.

MANAGEMENT REPORT

CHIEF EXECUTIVE OFFICER'S REPORT

2008 has been an extraordinary year across global markets, one marked by breathtaking equity losses and incredible volatility. In our sector, the financial crisis debilitated American International Group (AIG) evidencing that no company, however large its balance sheet or earnings potential, was immune. Since year-end, concerted efforts have been made by treasury departments and central banks in an attempt to stem the crisis, but a great deal of damage has already been done. The evaporation of trillions in capital has resulted in challenging times for many in the global financial sector. While this type of environment will likely create tremendous new investment opportunities, Alea is first and foremost focused on reducing risk and protecting capital through its run-off efforts, while also operating most efficiently during these volatile and unpredictable times.

In 2008 the Group made good progress, as insurance contract liabilities reduced a further $348.7 million from $1,549.9 million at 31 December 2007 to $1,201.2 million at 31 December 2008, representing a further deleveraging of our capital. Furthermore, our operating result of $19.5 million profit represents a considerable improvement over 2007 ($56.4 million loss), illustrating our continued commitment to keeping operating costs below investment income. Finally, proof our plan is working is found in the fact that in 2008 we retired our remaining bank debt through funds made available through distributions from our regulated subsidiaries. Those distributions have also enabled us to hold $28.0 million in cash at the holding company which affords us additional financial flexibility.

Despite a focused strategy to take advantage of market dislocations to strengthen investment income, we were not immune to the market turmoil. Accordingly, our operating result includes $2.6 million in other than temporary impairment charges in our portfolio of non-agency US mortgage-backed securities ('MBS') and shareholders equity is impacted by $20.2 million in unrealised losses. This $20.2 million consists of an unrealised loss of $31.6 million which arose in the first six months of the year on our portfolio of MBS and which will be amortised through the Income Statement as a result of our decision to reclassify these financial assets into the loans and receivables category and carry them at amortised cost, offset by an unrealised gain of $11.4 million in respect of our non-MBS portfolio. In February 2009, Moody's downgraded $170.1 million of option ARM securities in our MBS portfolio, in some cases directly from Aaa to Ca (see further disclosures in the Financial Review under the heading Important events that have occurred since the end of the financial year). While this is disturbing, and perhaps unprecedented, our option ARM securities as well as our other MBS securities continue to produce cash flows and we note that there are widely differing rating opinions, with Standard and Poor's generally maintaining investment grade ratings, subject to negative credit watch.

During the course of the year, we completed a number of commutation transactions that met our economic objectives, and we believe reduced volatility in our provisions for claims outstanding. In our direct insurance portfolio we closed in excess of 2,300 open claims, further reducing uncertainty in our claims provisions. Notwithstanding these efforts, we experienced some deterioration in our loss reserves which resulted in an additional strengthening totaling $11.8 million over the course of the year. The deterioration was principally in our North American direct insurance reserve portfolio, where there is no opportunity to cut off obligations through targeted commutation activity. Our total gross claims provision at 31 December 2008 is $1,240.2 million compared to $1,605.6 million at 31 December 2007, a reduction of $365.4 million.

In 2008, the Group undertook a number of initiatives to further streamline our operations and shift our operating costs to a more variable cost structure. We closed our Australian branch and moved our corporate finance functions out of Zug, closing that office. In addition, we contracted with Paragon Strategic Solutions (an AonBenfield company) to provide reinsurance technical and financial accounting services on what will ultimately be a variable cost basis to us. The Paragon outsourcing is in the implementation stage now and when fully implemented will result in a headcount reduction totaling approximately 20 full time equivalents. All of these steps were taken as part of our continuing efforts to establish an operating structure and expense equation that can scale according to the size of the reserve and asset portfolios we are managing.

2009 will undoubtedly be a challenging year as we expect to see continuing volatility in financial markets that will affect our priorities as well as those of our remaining counterparties. We believe however that the Group is well positioned to meet those challenges as we remain keenly focused on reducing expenses, further reducing insurance contract liabilities and preserving our capital, assets, and financial flexibility.

I would like to extend my thanks to our staff for their continued efforts and contributions under demanding circumstances and to our Board of Directors for their continued support and guidance in 2008.

Mark Cloutier
Chief Executive Officer
18 March 2009

FINANCIAL REVIEW

Consolidated income statement

	Year ended 31 December 2008 $'million	**Year ended 31 December 2007 $'million**
Gross premiums written	**12.3**	12.7
Revenue		
Premium revenue	**12.1**	17.7
Premium received from reinsurers	**2.5**	4.7
Net insurance premium revenue	**14.6**	22.4
Fee income	**0.5**	1.9
Investment income	**76.9**	73.1
Net realised losses on financial assets	**(1.4)**	(1.3)
Impairment of financial assets	**(2.6)**	-
Net realised losses on sale of renewal rights	**-**	(1.7)
Total revenue	**88.0**	94.4
Expenses		
Insurance claims and loss adjustment expenses	**6.4**	44.8
Insurance claims and loss adjustment expenses paid to reinsurers	**11.6**	34.4
Net insurance claims	**18.0**	79.2
Acquisition costs	**7.3**	10.3
Other operating expenses	**41.5**	59.7
Restructuring costs	**1.7**	1.6
Total expenses	**68.5**	150.8
Results of operating activities	**19.5**	(56.4)
Finance costs	**(13.4)**	(21.7)
Profit/(loss) before income tax	**6.1**	(78.1)
Income tax expense	**(2.2)**	(0.1)

Profit/(loss) for the year[1]	**3.9**	(78.2)

1 These results have been prepared on a going concern basis. The Directors consider this to be the appropriate basis as set forth in note 2 of the Audited Financial Statements. The Auditors have issued an unqualified opinion in their audit report with an emphasis of matter arising from significant uncertainty. For further information on this emphasis, see Important events that have occurred since the end of the financial year, below.

Performance indicators and comparison to prior years

The Group ceased underwriting new and renewal business and was placed into run-off and as a result the standard indicators used to assess the performance of participants in the insurance industry are not considered appropriate for the Group. Performance indicators that are relevant to the Group's run-off strategy are provided where these provide meaningful and useful comparisons.

Reserves and claims

At 31 December 2008 the total insurance contracts balance comprising gross claims outstanding less discount on claims outstanding, claims handling provisions and provision for unearned premiums was $1,201.2 million, a decrease of 22.5% from 31 December 2007 $1,549.9 million. The claims outstanding, net of reinsurance at 31 December 2008 was $777.9 million (31 December 2007: $1,003.1 million). Excluding the impact of the commuted Group excess of loss reinsurance treaty the change in claims outstanding, net of reinsurance was 25.5% (31 December 2007: 29.6%).

The balances are set out below:

	As at 31 December 2008 $'million	**As at 31 December 2007 $'million**
Gross claims outstanding		
Provision for claims outstanding, reported and not reported	**1,240.2**	1,605.6
Discount	**(48.7)**	(67.5)
	1,191.5	1,538.1
Claims handling provisions	**9.7**	11.8
Total insurance contracts	**1,201.2**	1,549.9
Aggregate excess reinsurance		
Provision for claims outstanding, reported and not reported	**-**	41.2
Discount	**-**	-
Net aggregate excess reinsurance	**-**	41.2
Other reinsurance		
Provision for claims outstanding, reported and not reported	**425.5**	508.6
Discount	**(2.2)**	(3.0)
Net other reinsurance	**423.3**	505.6
Total reinsurers' share of claims outstanding		
Provision for claims outstanding, reported and not reported	**425.5**	549.8
Discount	**(2.2)**	(3.0)
Total reinsurance contracts	**423.3**	546.8
Undiscounted claims outstanding, net of reinsurance	**824.4**	1, 067.6
Discount	**(46.5)**	(64.5)
Claims outstanding, net of reinsurance	**777.9**	1,003.1

The following table presents the Group's booked gross claims outstanding before claims handling provisions and before discount as at 31 December 2008 by class of business.

$'million	General liability	Motor	Workers' comp.	Professional	Property	MAT[1]	Total
1999 and prior	48.9	59.2	2.2	1.6	25.3	70.1	207.3
2000	18.7	8.7	11.1	9.1	4.7	18.2	70.5
2001	20.4	6.0	16.3	5.4	2.0	8.7	58.8
2002	19.5	4.3	4.9	9.0	5.0	3.1	45.8
2003	25.6	13.1	2.9	16.8	1.5	1.6	61.5
2004	25.8	19.4	5.2	18.8	3.3	0.1	72.6
2005	16.2	26.1	2.1	23.0	25.1	0.2	92.7
Reinsurance reserves	**175.1**	**136.8**	**44.7**	**83.7**	**66.9**	**102.0**	**609.2**
Insurance reserves	**152.6**	**38.2**	**64.5**	**22.1**	**7.4**	**-**	**284.8**
Total non-life reserves	**327.7**	**175.0**	**109.2**	**105.8**	**74.3**	**102.0**	**894.0**
Life structured settlements							**260.2**
Life reinsurance							**86.0**
Provision for claims outstanding, reported and not reported							**1,240.2**

[1] Marine, Aviation and Transport

The following table sets out Alea's gross claims outstanding distinguishing between incurred but not reported ("IBNR") and case reserves as at 31 December 2008. The insurance and reinsurance splits are in line with the Group's typical business tail and the relative maturity of the respective books.

Percentage	Total
Case reserves	47%
IBNR	53%
Total	**100%**

Adverse reserve development

During the twelve months ended 31 December 2008 the Group experienced adverse development in the reserves, net of reinsurance and excluding the impact of commutations and discount of $11.8 million (31 December 2007: adverse reserve development, net of reinsurance and excluding the impact of commutations and discount of $29.9 million).

Loss reserve discount

As permitted by IFRS 4, categories of claims provisions where the expected average interval between the date of settlement and the balance sheet date is in excess of four years may be discounted at a rate which does not exceed that expected to be earned by assets covering the provisions. As at 31 December 2008 30% (31 December 2007: 30%) of the Group's gross reserves were discounted at a rate of 4.0% (31 December 2007: 4.0%).

As at 31 December 2008 the Group's total net discount was $46.5 million (31 December 2007: $64.5 million). This is expected to reduce to zero over the duration of the normal course of payout of the reserves. The unwinding of the discount will be charged to insurance claims and loss adjustment expenses in the income statement as the remaining expected duration for each category of claims provisions drops below the level of four years as permitted by IFRS 4.

Income statement

Gross premiums written and net insurance premium revenue

Gross premiums written in 2008 were $12.3 million (2007: $12.7 million). Net insurance premium revenue decreased by 34.8% to $14.6 million in 2008 (2007: $22.4 million). This low volume results from and is to be expected due to the Group's decision in 2005 to cease writing new and renewal business.

Fee income

Fee income in 2008 was $0.5 million compared with $1.9 million recorded in the corresponding period in 2007. The fee income in 2008 represents a settlement received in North America in connection with disputed premium income.

Investment income, realised gains and losses and impairment of financial assets

Investment income in 2008 was $76.9 million, 5.2% ($3.8 million) higher than the $73.1 million recorded in 2007. The increase recorded reflects a 5.6% yield on invested assets for 2008 on average invested assets of $1,374.8 million compared with a 4.3% yield on invested assets for 2007 on average invested assets of $1,687.9 million and results from the Group's decision to increase its holdings of non-agency US mortgage-backed securities.

Net realised losses on financial assets were $1.4 million in 2008 (2007: $1.3 million realised losses) and arose as a result of the change in investment strategy and the disposal of certain investments to fund the purchase of non-agency US mortgage-backed securities.

The Group recognised an impairment to the purchase of non-agency US mortgage-backed securities of $2.6 million in 2008 (2007: $nil).

Net realised losses on sale of renewal rights

The Group completed three renewal rights transactions in the fourth quarter of 2005. These were accounted for as net realised gains on sale of renewal rights of $61.1 million. Subsequent to 31 December 2005 amounts have been recognised in the income statement to reflect changes in the estimate of fair value based on the latest financial data available. These amounts reflect the discounted estimated future cash flows arising from specified percentages of applicable commissionable premiums written over the applicable period in accordance with the terms of the sale contracts.

The table below summarises the change in the fair value of each transaction:

Transaction	Year ended 31 December 2008 $'million	Year ended 31 December 2007 $'million
London/Canopius	-	-
AAR/AmTrust	-	(1.9)
Europe/SCOR	-	0.2
Total loss	-	(1.7)

To date the Group considers that the amounts recoverable of $54.4 million derived after the adjustments booked in 2007 and 2006 are reasonable. It has received $25.7 million in cash. The outstanding balance consists of $28.2 million due from AmTrust and $0.5 million due from Canopius.

Insurance claims and loss adjustment expenses

In 2008 the Group incurred net insurance claims and loss adjustment expenses of $18.0 million, including net adverse reserve development of $11.8 million (2007: $79.2 million, which included the impact of commuting two large outwards reinsurance agreements of $33.8 million, net adverse development of $29.9 million and a charge of $6.2 million in respect of an adjustment to the discount rate).

Acquisition costs

Acquisition costs are directly associated with the acquisition of insurance and reinsurance contracts including brokerage, commissions, underwriting expenses and other acquisition costs. They are deferred and amortised over the period of contract, consistent with the earning of premium.

In 2008 total acquisition costs were $7.3 million (2007: $10.3 million). This includes a reversal of ceded commission of $0.7 million related to a settlement made in North America in respect of disputed premium income. This is referred to in the fee income section above. Acquisition costs also include $2.4 million (2007: $2.4 million) of commission in respect of life business.

The Group has assessed its deferred acquisition cost asset ("DAC") at 31 December 2008 of $1.6 million (31 December 2007: $2.3 million) as fully recoverable and as a result has not recorded any DAC write-off in 2008.

Other operating expenses

The Group plans to minimise operating expenses while still retaining the personnel and capabilities to manage an efficient run-off of the existing book and pursue other corporate activities. To the extent that investment income net of discount on net claims outstanding released does not offset other operating expenses in relation to run-off activities, the Group will establish a run-off provision.

In 2008 other operating expenses were $41.5 million. This compares with other operating expenses in 2007 of $59.7 million.

Restructuring costs

In 2008 restructuring costs were $1.7 million (2007: $1.6 million). These consist of $0.6 million of severance payments that were not part of the restructuring provision established at 31 December 2005 and $1.1 million of additional restructuring costs that have been provided to meet the costs associated with the transfer of certain accounting functions under the Paragon outsourcing arrangement that was entered into in 2008.

Staff headcount at 31 December 2008 stood at 84 (31 December 2007: 105).

Results of operating activities

In 2008, the result of operating activities was a profit of $19.5 million compared with a loss of $56.4 million in 2007.

Finance costs

Finance costs include investment expenses, foreign exchange movements and debt interest. In 2008 total finance costs were $13.4 million, compared with $21.7 million recorded in the corresponding period in 2007. The majority of this decrease resulted from a reduction in bank debt from $200.0 million at 1 January 2007 to nil at 31 December 2008. The majority of this $13.4 million expense relates to interest payable on $120.0 million of 30-year hybrid trust preferred securities referred to in the section below entitled Financing Facilities.

Profit before income tax

Profit before income tax was $6.1 million in 2008 compared with a loss of $78.1 million in 2007.

Income tax expense

The income tax expense in 2008 was $2.2 million, compared with an expense of $0.1 million in 2007.

The impact of the income tax expense on the income statement is summarised as follows:

	Year ended 31 December 2008 $'million	Year ended 31 December 2007 $'million
Current tax expense:		
UK corporation tax	-	-

Foreign tax	**1.1**	1.0
Total current expense	**1.1**	1.0
Deferred tax expense/(credit):	**1.1**	(0.9)
Total income tax expense	**2.2**	0.1

The Group's Swiss, US and UK entities have significant trading losses carried forward in respect of which no deferred tax assets have been recognised due to the uncertainty over future profitability.

In 2008 the Group's current tax expense of $1.1 million (2007: $1.0 million) is mainly derived from branches where there are no trading losses available to carry forward. Specifically, the Group incurred a one-off tax charge of $1.1 million in relation to the closure of its Australian branch. This arose as a result of the currency fluctuation caused by the weakening of the Australian dollar against the US dollar.

The deferred tax expense in the income statement includes $1.0 million in respect of the Group's North American entities. This charge relates to unrealised losses taken directly to equity and consequently there is a corresponding deferred tax credit to equity and no overall impact on the Group's net assets.

Profit on ordinary activities after income tax

Profit on ordinary activities after income tax in 2008 was $3.9 million (2007: loss of $78.2 million).

Profit per share

Basic and fully diluted profit per share 2008 was $0.02 per share (2007: loss per share of $0.45).

Dividend

The Company will not be paying a dividend for the 2008 financial year (2007: $nil).

Balance sheet

Total assets

Total assets as at 31 December 2008 decreased by 21.7% to $1,845.6 million from $2,356.3 million as at 31 December 2007.

Net assets

Net assets (shareholders' funds attributable to equity interests) at 31 December 2008 were $406.1 million (31 December 2007: $428.0 million). Net assets per share were $2.34 (31 December 2007: $2.46).

Net assets have been adversely impacted by a $20.2 million (net of a $1.0 million tax credit) increase in cumulative unrealised losses in the investment portfolio described below. Other than the impact of cumulative unrealised losses, net assets have remained relatively stable in the twelve months to 31 December 2008 and have been increased by a profit of $3.9 million and decreased by a foreign exchange loss of $6.0 million.

Reinsurance recoverables

Total reinsurers' share of claims outstanding was $423.3 million at 31 December 2008 (31 December 2007: $546.8 million). This reduction is primarily attributable to an agreement to commute one large excess of loss reinsurance treaty which resulted in $41.2 million of reinsurance recoverables being eliminated from the balance sheet.

Invested assets

The nature of the Group's run-off operations coupled with its long-tail liabilities allows the Group to pursue a buy and hold investment strategy that can include an element of long-term securities that may experience some price volatility. The investment portfolio does not currently consist of equity or direct real estate investments, but the Group has increased its asset weighting in non-agency US mortgage-backed securities.

As previously disclosed, in accordance with the EU endorsed amendments to IAS 39 and IFRS 7, "Reclassification of Financial Assets," the Group reclassified its entire portfolio of non-agency US mortgage-backed securities out of investments available for sale, and into loans and receivables. As of 1 July 2008, the reclassified investments had an amortised cost of $377.0 million and an approximate market value of $347.0 million. The loss position is to be amortised over the life of the instruments using the effective interest method.

As at 31 December 2008, financial assets carried at amortised cost within loans and receivables had a carrying value of $400.2 million and an approximate fair value of $253.7 million.

At 31 December 2008 the value of available for sale investments was $682.3 million, compared with $1,365.2 million at 31 December 2007. This reduction reflects the reclassification described above of non-agency US mortgage-backed securities out of investments available for sale, and into loans and receivables.

Of total invested assets $1,054.1 million (31 December 2007: $1,317.2 million) is managed by fund managers with the asset mix shown below. The remaining invested assets of $146.1 million (31 December 2007: $202.3 million) include predominantly mutual funds invested in fixed income securities and deposits at banking institutions.

Asset class	31 December 2008	31 December 2007
US government	**16%**	20%
US mortgage	**21%**	15%
EU and Switzerland government and corporate	**10%**	15%
US corporate	**3%**	10%
Asset backed securities	**22%**	2%
US municipalities	-	1%
Canadian government and provinces	-	2%
Cash, cash equivalents and short term investments	**28%**	35%
Total	**100%**	100%

At 31 December 2008 the Group's investment portfolio had an average duration of 0.9 years (31 December 2007: 1.5 years). The Group has maintained a shortened average duration for the portfolio to provide liquidity anticipated to be required to support the Group's run-off strategy. The Group may choose to increase the average duration of the portfolio in the future.

In 2008 the Group achieved a total gross return on the investment portfolio of 3.8% (2007: positive return of 5.2%). The investment return comprised 5.6% investment income (2007: 4.3%), 0.3% realised loss (2007: loss of 0.1%) and 1.5% unrealised loss (2007: gain of 1.0%) on average invested assets of $1,374.8million (2007: $1,687.9 million).

At 31 December 2008, apart from $16.5 million rated BBB/Baa and $0.9 million rated BB/Ba, all of the Group's fixed income portfolio was rated A or better and 94.6% was rated AA/Aa or better (31 December 2007: 85.3%) by either Standard & Poor's or Moody's. The portfolio had a weighted average rating of AA/Aa based on ratings assigned by Standard & Poor's or Moody's. Other than with respect to US, Canadian and European Union government and agency securities, the Group's investment guidelines limit its aggregate exposure to any single issuer to 5% of its portfolio. Under the Group's current investment guidelines, all securities must be rated A or better at the time of purchase and the weighted average rating requirement of the Group's portfolio is AA/Aa. The Group recognised an impairment to the purchase of non-agency US mortgage-backed securities of $2.6 million in 2008 (2007: $nil).

There are pledges of certain investments for the issuance of letters of credit in the normal course of business. As of 31 December 2008 the pledges covered assets of $208.6 million (31 December 2007: $282.2 million). In addition $92.4 million (31 December 2007: $134.2 million) is held as statutory deposits for local regulators and a further $400.7 million (31 December 2007: $534.9 million) is held in trust for the benefit of policyholders including $108.1 million (31 December 2007: $176.1 million) that Alea (Bermuda) Ltd has placed in trust on behalf of Alea North America Insurance Company.

As at 31 December 2008 the Group held Société d'Investissement à Capital Variable ("SICAV") of $67.9 million (31 December 2007: $58.5 million) pledged for the benefit of French and Belgian cedants. These SICAVs are mutual funds invested in European fixed income securities with weighted average credit quality of AAA and duration of approximately six years. The increase in the SICAV pledge in the twelve months ended 31 December 2008 relates primarily to French liability business in line with contractual collateral stipulations and expectations.

In February 2009, Moody's downgraded $170.1 million of option ARM securities in the Group's non-agency US mortgage-backed securities portfolios. See further disclosures in the Financial Review under the heading Important events that have occurred since the end of the financial year, as well as notes 4 and 39 to the Annual Financial Report.

Capital management

Financing facilities

The Group raised $100.0 million of hybrid capital in December 2004 and a further $20.0 million in early January 2005. This capital is in the form of 30-year hybrid trust preferred securities priced at LIBOR plus 285 basis points.

At 1 January 2008 the Group had $30.0 million outstanding under its term loan credit facility. This was repaid in full on 14 January 2008.

Liquidity and cash flow

Cash flows from operating activities primarily consist of premiums collected, investment income and collected reinsurance recoverable balances, less paid claims, retrocession payments, operating expenses and tax payments. Net cash outflow from operating activities after income tax paid for 2008 was $362.3 million excluding $41.2 million cash received as a result of the commutation of a large excess of loss reinsurance treaty (2007: $436.9 million net cash outflow excluding $203.6 million cash received as a result of the commutation of a large excess of loss reinsurance treaty). The operating cash outflow reflects claims, commutation payments and expenses.

The net decrease in cash was $40.4 million (decrease for 2007 of $8.9 million). This is after net cash received from investing activities of $317.8 million (2007: net cash received of $411.6 million) and net cash used in financing activities of $37.0 million (2007: net cash used of $187.3 million). As a result, after taking account of exchange movements of $3.8 million (2007: $6.0 million), the Group's cash and cash equivalents at 31 December 2008 were $117.7 million (31 December 2007: $154.3 million).

Intra-Group arrangements

The Group manages a number of different intra-Group arrangements designed to ensure that each local balance sheet retains risk commensurate with its capital base. The principal means of achieving this is by arranging capacity through internal quota share reinsurances ('quota shares')with Alea Bermuda. For 2002 to 2006 underwriting years, the Group has put in place a 70% quota share to Alea Bermuda of Alea North America's insurance and reinsurance business. There is a 50% quota share of certain 2000 and prior underwriting year business from Alea Europe to Alea Bermuda. The Group is evaluating options to simplify its capital structure and balance sheet and is therefore considering commutations of the remaining quota shares. Such transactions would be subject to regulatory approval in each jurisdiction affected.

In light of independent actuarial pricing analysis, the Group will adjust the premium under a previously terminated intra-group stop loss treaty between Alea Bermuda and Alea Europe for transfer pricing purposes and following that adjustment, both companies will fully commute and settle the outstanding balances under this arrangement.

Key risks to which the Group is exposed

As a result of its activities the Group is subject to different types of risk. These include insurance risk (which incorporates underwriting and reserving risk), investment risk, credit risk and financial risk (incorporating interest rate risk, asset price risk, currency risk and liquidity risk). Further details of each of these types of risk and the procedures that the Group has in place to mitigate them can be found in note 4 of the Annual Financial Report.

Credit ratings

In the first half of 2006, Alea Group requested the withdrawal of all Group and member company ratings following ratings downgrades by both Standard and Poor's and A.M. Best.

Important events that have occurred since the end of the financial year

Non-agency US mortgage-backed option ARM securities held in Group portfolios with a book value of $170.1 million were downgraded by Moody's in February 2009, in some cases directly from Aaa to Ca. Standard & Poor's continues to maintain $164.4 million of these investments with investment grade ratings, in most cases at AAA, subject to negative credit watch. In addition, a majority of the Group's holdings of non-agency US mortgage-backed subprime securities have been placed on negative credit watch by these two rating agencies. While the Group has the current intention and the ability to continue to hold its portfolio of non-agency US mortgage-backed securities, a substantial portion of these securities are pledged as collateral and are subject to minimum rating and valuation requirements.

These collateral mechanism requirements have varying thresholds regarding the ratings of the pledged securities. In addition, these collateral mechanisms require Group companies to maintain collateral with a market value at least equal to the secured liabilities.

As of the date of this statement, deterioration in ratings and valuations of the Group's non-agency US mortgage-backed securities have not required any change in the Group's buy and hold strategy, but further deterioration in ratings or valuations could require that a significant amount of the assets currently held as collateral be replaced or supplemented with other qualifying assets. As a result, the Company's auditors have included an emphasis of matter section in their audit opinion relating to significant uncertainty to the Group's ability to continue to hold non-agency US mortgage-backed securities accounted for as loans and receivables at amortised cost. As of 28 February 2009, the book value of the Group's non-agency US mortgage-backed securities was $398.0 million and the current market value, as per the Group's third party pricing service, was $232.9 million. See notes 4 Investment and Credit Risk and 39 Events after the Balance Sheet Date to the Annual Financial Report for further information and risks associated with this event.

Branches

In the year ended 31 December 2008 the Company's subsidiaries, Alea London Limited and Alea Europe Ltd. had licensed branches in Australia and Canada, respectively. Permission from local regulators to close the Australian branch was granted in December 2008. A full listing of the Company's subsidiaries is set out in note 40 of the Annual Financial Report.

Financial calendar 2009

The Group expects to release its interim results for the six months ended 30 June 2009 on 27 August 2009.*

**provisional date*

Carl Speck
Chief Financial Officer
18 March 2009

INFORMATION REGARDING DIRECTORS

BOARD OF DIRECTORS

Robert I Kauffman (45) is the President (Europe) and a member of the board of directors of Fortress Investment Group LLC. Mr. Kauffman has been a principal and a member of the Management Committee of Fortress since co-founding the Company in 1998. Mr. Kauffman is responsible for the management of Fortress's European private equity investment operations. Mr. Kauffman is the Chairman of the board of directors of GAGFAH S.A. Prior to joining Fortress, Mr. Kauffman was a managing director of UBS from May 1997 to May 1998, and prior to that, was a principal of BlackRock Financial Management Inc. Mr. Kauffman was with Lehman Brothers from 1986 to 1994 and served as an executive director of Lehman Brothers International in London beginning in 1992.

Mark B Cloutier (53) is the Chief Executive Officer of the Group and was appointed as an executive member of the Board of Directors on 1 September 2006. Mark Cloutier has over 30 years' experience within the reinsurance and run-off industry and was most recently President and CEO of OP Re.

Randal A Nardone (53) is the Chief Operating Officer and a member of the board of directors of Fortress Investment Group LLC. Mr. Nardone has been a principal and a member of the Management Committee of Fortress since co-founding the Company in 1998. Mr. Nardone oversees Fortress's structured finance and legal matters. Mr. Nardone is a member of the board of directors of GAGFAH S.A. and Eurocastle Investment Limited. Mr. Nardone was previously a managing director of UBS from May 1997 to May 1998. Prior to joining UBS in 1997, Mr. Nardone was a principal of BlackRock Financial Management, Inc. Prior to joining BlackRock, Mr. Nardone was a partner and a member of the executive committee at the law firm of Thacher Proffitt & Wood.

DIRECTORS' REPORT

Directors that served during the year are as follows:

Robert I Kauffman (Chairman)[1]

Mark B Cloutier (Group Chief Executive Officer)[2]

Constantine N Darras[3]

Kirk H Lusk (Former Group Chief Financial Officer)[4]

Randal A Nardone[5]

Gregory M Share[6]

Notes

1. Appointed as Non-Executive Chairman of the Board effective 5 July 2007. Last re-elected 19 June 2008.
2. Appointed as an Executive Director effective 1 September 2006. Last re-elected 19 June 2008.
3. Appointed as a Non-Executive Director effective 28 July 2008. Resigned effective 18 March 2009.
4. Appointed as an Executive Director effective 1 September 2006. Last re-elected 26 June 2007. Resigned effective 31 March 2008.
5. Appointed as a Non-Executive Director effective 5 July 2007. Last re-elected 19 June 2008.
6. Appointed as a Non-Executive Director effective 5 July 2007. Last re-elected 19 June 2008. Resigned effective 28 July 2008.

Re-election of Directors

The Company is proposing the re-election of Mark B Cloutier as Director, who is retiring by rotation in accordance with the Company's Bye-laws. Mr Cloutier is an Executive Director and Group Chief Executive Officer.

Each of Mr Kauffman's and Mr Nardone's Non-Executive Director's appointment letters is renewable on 19 June

2011 for an additional three year term, subject to the provisions of the Company's Bye-laws.

Purchase of own shares

Under contractual arrangements between the Company and certain former Group employees, the Company has the right to repurchase shares in the Company held by any such employee at the end of their employment. During 2008, the Company made the following own share purchases pursuant to these arrangements with certain former Group employees.

No of Common Shares	Aggregate Purchase price	Aggregate Nominal value	% of Issued Share Capital
18,900	$38,556	189	0.011% as of 31 December 2008

The Company is not required to obtain shareholder approval to authorise purchases of its own shares under Bermudan law.

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Management Report

The Management Report, consisting of the Chief Executive Officer's Report and the Financial Review, which is hereby incorporated by reference, includes a fair review of the development and performance of the business and the position and profit of the Company and its undertakings taken as a whole, together with a description of the principal risks and uncertainties they face.

Further analysis of information regarding the principal risks and uncertainties is found in note 4 to the consolidated financial statements.

Approved by the Board of Directors and signed on behalf of the Board.

George P Judd
Group Secretary

18 March 2009

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Financial Report including the financial statements. The Bermudan Companies Act 1981 permits the Company and its subsidiaries (together, the 'Group'), to prepare financial statements which comprise the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of recognised income and expense and the related notes 1 to 40 in accordance with International Financial Reporting Standards ('IFRS').

International Accounting Standard 1 requires that financial statements present fairly for each financial year the

Company's financial position, financial performance and cash flows. This requires the faithful representation of the effect of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements.' In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. Directors are required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Group's website. Legislation in the United Kingdom and Bermuda governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors confirm that, to the best of their knowledge:

1. the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
2. andthe Management Report, which is incorporated into the Directors' Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

Approved by the Board of Directors and signed on behalf of the Board.

Mark Cloutier	**Carl Speck**
Chief Executive Officer	Chief Financial Officer
18 March 2009	18 March 2009

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALEA GROUP HOLDINGS (BERMUDA) LTD

We have audited the group financial statements (the "financial statements") of Alea Group Holdings (Bermuda) Ltd for the year ended 31 December 2008 which comprise the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of recognised income and expense and the related notes 1 to 40. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 90 of the Bermuda Companies Act 1981. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Financial Report and the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework and whether the financial statements have been properly prepared in accordance with the Bermuda Companies Act 1981. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we also report to you if, in our opinion, the company has not kept proper accounting records and if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Financial Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Management Report, the Board of Directors' biographies, the Directors' Report and the Statement of the Directors' Responsibilities. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Financial Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs, of the state of the Group's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Bermuda Companies Act 1981; and
- the information given in the Directors' Report is consistent with the financial statements.

Emphasis of matter - significant uncertainty with respect to the Group's ability to continue to hold non-agency US mortgage-backed securities accounted for as loans and receivables at amortised cost.

Without qualifying our opinion, we draw attention to note 39 which explains the significant uncertainty with respect to the Group's ability to hold non-agency US mortgage-backed securities accounted for as loans and receivables at amortised cost.

While the Group has the current intention and the ability to continue to hold its portfolio of mortgage-backed securities, a substantial portion of these securities are pledged as collateral and are subject to minimum rating and valuation requirements.

Valuations of such securities have been very volatile and if sales of non-agency US mortgage-backed securities are required to obtain other assets, the Group would reduce net assets in the amount of the shortfall between the sale price and the book value on an amortised cost basis. As of 28 February 2009 the book value of non-agency mortgage backed securities was $165.2 million higher than the market value provided by the Group's pricing service.

Deloitte LLP
Chartered Accountants and Registered Auditors
London
18 March 2009.

THE FINANCIAL STATEMENTS

Contents

Consolidated income statement

	Notes	Year ended 31 December 2008 $'000	Year ended 31 December 2007 $'000
Gross premiums written		**12,320**	12,683
Revenue			
Premium revenue		**12,127**	17,666
Premium received from reinsurers		**2,489**	4,693
Net insurance premium revenue		**14,616**	22,359
Fee income		**539**	1,949
Investment income	8	**76,884**	73,089
Net realised losses on financial assets	9	**(1,376)**	(1,310)
Impairment of financial assets		**(2,563)**	-
Net realised losses on sale of renewal rights	5	**-**	(1,723)
Total revenue		**88,100**	94,364
Expenses			
Insurance claims and loss adjustment expenses		**6,425**	44,740
Insurance claims and loss adjustment expenses paid to reinsurers		**11,637**	34,416
Net insurance claims	10	**18,062**	79,156
Acquisition costs		**7,304**	10,279
Other operating expenses	11,12	**41,518**	59,742

Restructuring costs	6	1,716	1,571
Total expenses		**68,600**	150,748
Results of operating activities		**19,500**	(56,384)
Finance costs	13	**(13,322)**	(21,696)
Profit/(loss) before income tax		**6,178**	(78,080)
Income tax expense	15	**(2,239)**	(100)
Profit/(loss) for the year		**3,939**	(78,180)

Earnings per share for profits/(losses) attributable to the equity shareholders of the Company during the period:

Earnings per share on operating activities

Basic ($)	16	**0.02**	(0.45)
Diluted ($)	16	**0.02**	(0.45)

Consolidated balance sheet

	Notes	As at 31 December 2008 $'000	As at 31 December 2007 $'000
ASSETS			
Property, plant and equipment	17	**3,535**	4,487
Intangible assets	18	**8,479**	8,479
Deferred acquisition costs	19	**1,555**	2,323
Financial assets			
Equity securities			
- available for sale	20	**111**	165
Debt securities			
- available for sale	20	**682,206**	1,365,040
Loans and receivables including insurance receivables	21	**608,070**	273,707
Deferred tax assets	22	**653**	1,034
Reinsurance contracts	24	**423,325**	546,801
Cash and cash equivalents	23	**117,660**	154,253
Total assets		1,845,594	2,356,289
LIABILITIES			
Insurance contracts	24	**1,201,186**	1,549,891
Borrowings	25	**117,867**	147,785
Provisions	26	**2,808**	2,837
Other liabilities and charges	27	**21,808**	33,235
Trade and other payables	28	**95,225**	191,741
Current income tax liabilities		**608**	2,761

Total liabilities		**1,439,502**	1,928,250
Net assets		**406,092**	428,039
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	29, 30	**1,738**	1,738
Other reserves	29	**683,569**	709,455
Retained loss	29	**(279,215)**	(283,154)
Total equity		**406,092**	428,039

Approved by the Board of Directors on 18 March 2009 and signed on its behalf by:

Carl Speck

Chief Financial Officer

Consolidated cash flow statement

	Notes	Year ended 31 December 2008 $'000	Year ended 31 December 2007 $'000
Cash used in operations	33	(318,409)	(240,764)
Income tax(paid)/ recovered		(2,729)	7,505
Net cash used in operating activities		(321,138)	(233,259)
Cash flows generated from/(used in) investing activities			
Purchase of property, plant and equipment		(885)	(647)
Proceeds on sale of property, plant and equipment		-	63
Cash payments to acquire equity and debt securities		(4,733,490)	(5,575,634)
Cash receipts from sales of equity and debt securities		5,011,961	5,920,523
Net amounts outstanding for securities		(5,085)	11,935
Cash receipts from interest and dividends		45,276	55,380
Net cash generated from investing activities		317,777	411,620
Cash flows used in financing activities			
Repayments of borrowings		(30,000)	(170,000)
Interest paid on borrowings		(7,029)	(17,289)
Net cash used in financing activities		(37,029)	(187,289)
Net decrease in cash and cash equivalents		(40,390)	(8,928)
Cash and cash equivalents at beginning of year		154,253	157,220

Exchange gains on cash and bank overdrafts	3,797	5,961
Cash and cash equivalents at end of year	**117,660**	154,253

Consolidated statement of recognised income and expense

	Year ended 31 December 2008 $'000	Year ended 31 December 2007 $'000
(Loss)/gain on revaluation of available-for-sale investments	(20,323)	10,999
Exchange differences on translation of foreign operations	(6,037)	8,620
Tax on items taken directly into equity	1,030	(1,030)
Net loss recognised directly in equity	**(25,330)**	18,589
Transfers		
Transfers to profit and loss on sale of available-for-sale investments	(901)	3,343
Profit/(loss) for the year	**3,939**	(78,180)
Total recognised income and expense for the year	**(22,292)**	(56,248)

The total recognised income and expense are attributable to the Company's equity holders.

Notes to the financial statements

1 General information

Alea Group Holdings (Bermuda) Ltd (the "Company") and its subsidiaries (together the "Group") were engaged in the business of underwriting insurance and reinsurance risks. The Group operated through four principal operating segments representing London market business, North American business including alternative risk transfer and reinsurance, Continental European reinsurance and financial services. In 2005 the Group ceased to write new business and placed all operations into run-off. Although the Group has disposed of the renewal rights for Alea Alternative Risk, Alea London and Alea Europe and placed all operations into run-off, the Group will continue to service claims relating to business written during 2005 and prior for the foreseeable future. As such, it is considered appropriate to recognise all amounts as relating to continuing operations. The Group now classifies all of its operations under the 'Run-off business' segment. This reflects the basis on which the Group's operations are managed and the relative maturity of the run-off book of business.

The Company is registered in Bermuda and is listed on the London Stock Exchange. As such it is required to prepare its financial information in accordance with the Bermuda Companies Act 1981, which permits the Company and the Group to prepare financial statements which comprise the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of recognised income and expense and the related notes 1 to 40 in accordance with International Financial Reporting Standards ("IFRS"). Accordingly, the financial information has been prepared in accordance with Bermuda Law.

2 Basis of preparation

The financial statements, as required by the Listing Rules of the United Kingdom's Financial Services Authority ("FSA"), have been prepared in accordance with IFRS.

The consolidated financial statements are presented in thousands of US dollars, rounded to the nearest thousand. They have been prepared under the historical cost convention, as modified by the revaluation of financial instruments which have been classified as available for sale.

The preparation of financial statements in conformity with IFRS requires management to exercise its judgement in making estimates and assumptions that affect the application of the Group's accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgement about the carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the periods in which the estimates are revised if the revisions affect only those periods or in the periods of the revision and future periods if applicable.

Judgements made by management in the application of IFRS that have a significant effect on the consolidated financial statements and estimates with a significant risk of material adjustments in following years are discussed below.

As IFRS are limited in specifying full insurance-specific guidelines to the requirements of IFRS 4 'Insurance Contracts' pending completion of the second phase of the IASB's project on insurance contracts, accounting policies for insurance contracts have been selected with primary consideration to existing UK GAAP as permitted by IFRS 4. The annual basis of accounting has been applied to all classes of business.

These consolidated financial statements have been prepared in accordance with the accounting policies in force for the year ended 31 December 2008. A summary of the principal accounting policies is provided in note 3.

Going Concern

Further information regarding the Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chief Executive Officer's Report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review. In addition note 4 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risk.

Subject to the foregoing, after making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Financial Report.

3 Accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

The accounting policies have been applied consistently by all Group entities.

Basis of consolidation
These financial statements consolidate all the enterprises in which Alea Group Holdings (Bermuda) Ltd owns or controls, directly or indirectly, the majority of the voting shares. There are no other enterprises over which the Group has the ability to exercise control.

Intra-group transactions, balances, and gains and losses are eliminated except to the extent that the transaction provides evidence of an impairment of the asset transferred.

The results of subsidiaries liquidated or disposed of during the year are included in the consolidated income statement up to the effective date of liquidation or disposal, as appropriate.

Operating segments
The Group classifies all of its operations under the 'Run-off business' segment. This reflects the basis on which the Group's operations are managed.

Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in thousands of US dollars, which is the Group's presentation currency.

b) Group companies

The functional currencies for Group entities are usually the currencies of the primary economic environment in which the entity operates.

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

(i) assets and liabilities for each balance sheet presented are translated at the closing exchange rates at the date of that balance sheet;
(ii) income and expenses for each income statement are translated at transactional or 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); and
(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

c) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary items are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the revaluation reserve in equity.

To safeguard against fluctuations in exchange rates, Group entities seek to match assets and liabilities in currency. However, currency gains/losses which do arise from transactions in a currency other than a functional currency are reported in the income statement within other income or other expenses, as applicable.

The foreign currency rates used for significant foreign currencies are as follows:

	31 December 2008 Average	31 December 2008 Closing	31 December 2007 Average	31 December 2007 Closing
British pound	**0.5457**	**0.6918**	0.5001	0.5038

Euro	**0.6811**	**0.7093**	0.7295	0.6854
Swiss franc	**1.0770**	**1.0575**	1.1972	1.1326

Insurance contracts
The Group enters into contracts that transfer insurance risk or financial risk or both.

Insurance contracts are those contracts that transfer significant insurance risk. Insurance risk is defined as risk, other than financial risk, transferred from the holder of a contract to the issuer. Financial risk is defined as the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Those contracts that do not transfer significant insurance risk are accounted for by recognising an asset or liability based on the consideration paid or received less any explicitly identified premiums or fees to be retained by the ceding company. Future cash flows are estimated to calculate the effective yield, and revenues and expenses are recorded as other income or expense.

Premium revenue
For all insurance contracts, premiums are recognised as revenue proportionally over the period of coverage, having regard, where appropriate, to the incidence of risk and this is known as earned premium. The portion of premium receivable on in-force contracts that relates to unexpired risks at the balance sheet date is reported as the unearned premium liability. Premiums are shown before deduction of commission and are exclusive of taxes and duties levied thereon.

Premiums comprise total premiums earned under contracts incepting during the financial year, together with adjustments arising in the financial year to premiums earned in respect of business written in previous financial years. Premiums also include estimates of pipeline premiums earned on business written but not yet notified to the Group.

In respect of both risks accepted and risks ceded by the Group, premiums and claims relating to reinsurance arrangements which do not involve significant transfer of insurance risk are not recognised in the income statement but are accounted for as deposits due from, or liabilities due to, reinsurers or cedants.

Reinsurance
The Group cedes premium and risks in the normal course of business in order to limit the potential for losses arising from risks accepted. Insurance premiums ceded to reinsurers on contracts that are deemed to transfer significant insurance risk are recognised as an expense in a manner that is consistent with the recognition of insurance premium revenue arising from the underlying risks being protected. Reinsurance contracts that do not meet the definition of an insurance contract are accounted for as financial assets. The portion of premium ceded to reinsurers on in-force contracts that relates to unexpired risks at the balance sheet date is reported as the unearned premium asset.

Insurance claims and loss adjustment expenses recovered from reinsurers are accounted for in the same accounting period as the claims for the related inward insurance and reinsurance business being covered and are estimated in a manner consistent with the claim liability associated with the reinsurance policy.

Provision is made for potentially non-collectable reinsurance recoveries and the exposure of the Group to credit risk is assessed through the aggregation of reinsurance assets due from counterparties belonging to the same insurance groups.

Renewal rights transactions
Renewal rights transactions represent books of insurance and reinsurance business sold to third parties. The Directors use fair value accounting for renewal rights transactions. Valuations and revaluations of such transactions are recognised in the income statement as net realised gains or losses on sale of renewal rights.

In determining the fair value for the business sold, the Directors value the discounted estimated future cash flows arising from specified percentages of applicable commissionable premiums written over the applicable period in accordance with the terms of the sale contracts. In determining the fair market value of renewal rights sold, the Directors consider the prior production and growth of the businesses sold, external projections and the most recent assessment of the businesses sold. The Directors also make certain assumptions about levels of program transfer and renewal probabilities of future premiums.

As the ultimate consideration receivable is dependent upon the future levels of business generated on renewal in relation to the rights sold over differing time periods as specified in the sale contracts, it is necessary for the Directors to review and re-evaluate the fair value of the consideration receivable based on the likely volumes of renewal business that will be written. Consequently, adjustments to the consideration receivable recognised in the income statement will be made at each balance sheet date where required.

Deferred acquisition costs ("DAC")
Costs which vary and are directly associated with the acquisition of insurance and reinsurance contracts including brokerage, commissions, underwriting expenses and other acquisition costs are deferred and amortised over the period of contract, consistent with the earning of premium. These are shown as a capitalised asset in the balance sheet.

Insurance claims and loss adjustment expenses
Insurance claims and loss adjustment expenses comprise the estimated cost of all claims occurring prior to the balance sheet date, whether reported or not, and include loss adjustment expenses related to internal and external direct and indirect claims handling costs, and adjustments to claims outstanding from previous years. Claims handling costs include related internal and external direct and indirect claims handling costs and consist of third party loss adjustor fees, legal expenses and claims staff costs.

Liabilities for unpaid claims are determined on an individual case basis and are based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs and net of salvage and subrogation recoveries. The provision also includes the estimated cost of claims incurred but not reported at the balance sheet date based on statistical methods.

The Group discounts certain categories of claims provisions, such as certain casualty and auto liability claims, where the expected average interval between the date of claim settlement and the balance sheet date is in excess of four years in accordance with the statutory regulations of the European Union. The discount rate used is 4.0% (2007: 4.0%).

Liability adequacy test ("LAT")
At each balance sheet date, liability adequacy tests are performed to ensure the adequacy of the insurance contract liabilities net of related DAC and premiums receivable.

Provision is made where current best estimates of future contractual cash flows and claims handling and administration expenses arising after the end of the financial year from contracts concluded before that date is expected to exceed the provision for unearned premiums net of DAC and premiums receivable. Investment income from the assets backing the liabilities is taken into account in calculating the provision. The assessment of whether a provision is necessary is made on the basis of information available as at the balance sheet date, after offsetting surpluses and deficits arising on products which are managed together. Any deficiency is immediately charged to the income statement initially by writing off DAC and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision). Any DAC written off as a result of this test cannot subsequently be reinstated.

Investment income
Investment income includes dividends and interest. Dividends are accrued on an ex-dividend basis that is when the right to receive payment is established. Interest and rental income are recognised on an accruals basis. Interest income in respect of the Group's available for sale investments is recognised using the effective interest method.

Fee income
Fee income represents income arising on finite risk reinsurance and insurance contracts without significant transfer of insurance risk and expense related to deposits received from reinsurers. Such income is recognised over the term of the contract.

Employee Benefits

a) Share-based payments

The cost of awards to employees that take the form of shares or rights to shares is charged to the income statement as personnel costs on a straight-line basis over the period to which the employee's performance relates and a corresponding amount is reflected in share-based payment reserve in shareholders' equity. The charge is calculated as being the fair value of the shares at the date of grant, reduced by any consideration payable by the employee, and a reasonable expectation of the extent to which performance criteria will be met.

b) Pension costs

The Group only operates defined contribution pension arrangements. Contributions are charged to the income statement as employee benefit expense as they become payable in accordance with the rules of each scheme. The Group has no further payment obligations once the contributions have been paid. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Operating leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Property, plant and equipment
Property, plant and equipment comprise items of equipment only. Equipment is stated at cost less accumulated depreciation and impairment losses when appropriate. Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives vary between three and five years for fixtures and equipment.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

The residual values and useful lives of the assets are reviewed at each balance sheet date and adjusted if appropriate.

Intangible assets
Intangible assets represent the cost of licences acquired to conduct business in the United States. The Directors consider these licences to have indefinite useful lives. Licences are granted for an indefinite period and are essential to carry on business. The licences are tested for impairment at each balance sheet date.

Investments - Financial Instruments
The Group recognises a financial asset or a financial liability on its balance sheet when it becomes a party to the contractual provisions of the instrument. On initial recognition the Group determines the category of financial instrument and values it accordingly. The classification depends on the purpose for which the investments are acquired.

a) Available-for-sale securities

Available-for-sale securities are non-derivative financial assets, typically equities or bonds. On initial recognition, the fair value is the cost including transaction costs directly attributable to the acquisition. On subsequent remeasurement the fair value excludes transaction costs on disposal and represents the listed bid price. Fair value movements are recognised in equity.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group intends to sell in the short-term or that it has designated as at fair value through income or available-for-sale. In addition loans and receivables include non-agency US mortgage-backed securities held for the foreseeable future and measured at amortised cost using the effective interest method, less impairment. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

Trade receivables do not carry any interest rate and are measured at the fair value which is their nominal value less appropriate allowances for estimated irrecoverable amounts. On the initial recognition of loans the carrying value is determined as the proceeds of the loans less the costs of the transaction which are amortised over the length of the loan period in accordance with the effective interest method.

The Group has not designated any investments to be held to maturity or to be valued at fair value through profit and loss.

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Purchases and sales of securities and currencies are recognised on trade date - the date on which the Group commits to purchase or sell the asset.

Before evaluating whether, and to what extent, de-recognition of a financial asset or liability is appropriate, the Group determines whether de-recognition should be applied to only part of the financial asset / liability or group of financial assets / liabilities. The Group only derecognises a financial asset or liability when the contractual rights and obligations to the cash flows expire or the financial asset / liabilities are transferred and the Group has also transferred substantially all risks and rewards of ownership.

Gains and losses on derecognition are recognised through the income statement. Changes in fair value of available for sale investments, except for foreign exchange gains and losses and impairment losses which are recognised in the income statement, are directly recorded in equity until such time that the financial asset is derecognised.

In the Company's accounts, investments in Group subsidiaries are stated at net asset value (equity method) with any movement taken to the Company's revaluation reserve.

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

Impairment of assets
The Group reviews the carrying amounts of its tangible and intangible assets at each balance sheet date to determine whether there is any indication of impairment. If any indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount is the greater of the net selling price and the value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Taxation
Income tax expense represents the sum of the tax payable in the year and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided in full, using the liability method, on all temporary differences, which are based on the difference between the financial statement carrying values and the tax bases of assets and liabilities using enacted income tax rates and laws. Deferred income tax assets are recognised to the extent that it is regarded as probable that they will be utilised against sufficient future taxable income. Deferred income tax assets and liabilities are not discounted.

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

The deferred tax that results from unrealised gains and losses on securities classified as available for sale is recognised in shareholders' equity along with those unrealised gains and losses.

Current tax payable by any Group company on distribution to the holding company of the undistributed profits of any subsidiaries is recognised as deferred tax unless the timing of the distribution of those profits is controlled by the holding company and the temporary difference is not expected to reverse in the foreseeable future.

In accordance with IAS 12 'Income Taxes', deferred taxation is provided on temporary differences arising from the revaluation of fixed assets even where there is no commitment to sell the asset.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Provisions

a) Restructuring costs and legal claims

Provisions for restructuring costs and legal claims are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

b) Levies

The Group is subject to various insurance-related assessments or guarantee fund levies. Related provisions are provided for where there is a present obligation (legal or constructive) as a result of a past event.

Share capital
Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax. Incremental costs directly attributable to the issue of equity instruments as consideration for the acquisition of a business are included in the cost of acquisition.

Accounting developments
The International Accounting Standards Board (IASB) issued IFRS 8 'Operating Segments' on 30 November 2006 effective for annual periods beginning on or after 1 January 2009. IFRS 8 replaces IAS 14 'Segment Reporting' and requires the disclosure of financial information about the Group based upon the information used internally to evaluate the performance of the operating segments and the allocation of resources to those segments. The Group has early-adopted IFRS 8 from 1 January 2008 and has restated comparative information for the year ended 31 December 2007 in accordance with IFRS 8. The disclosures relating to Operating Segments are shown in note 7 to the Financial Statements.

On 13 October 2008 the IASB issued 'Reclassification of Financial Assets - Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures'. This amendment permitted the Group to reclassify certain investments from the available for sale category to loans and receivables where there is a clear intent and ability to hold for the foreseeable future or to maturity and where the investments meet the definition of loans and receivables at the date of reclassification. In accordance with these amendments, with effect from 1 July 2008, the Group reclassified its entire portfolio of non-agency US mortgage-backed securities out of investments available for sale, and into loans and receivables.

4 Analysis of risk

Risk management framework
As a global run-off insurance and reinsurance operation, the Group is exposed to various types of risk.

The Board of Directors retains overall responsibility for the risk management framework that has been established to mitigate the Group's exposure to risk and assesses the effectiveness of the controls established to identify, monitor and mitigate the risks faced by the Group.

The risks that the Group faces include, but are not limited to:

Insurance risk - risk associated with the uncertainty over the likelihood of an insured event occurring, the quantum of the claim, or the time when claims payments will fall due.

Investment and credit risk - risk associated with the Group's reinsurance arrangements, investment portfolio, and other counterparty credit risk.

Financial risk - risk associated with possible future change in one or more of a specified interest rate, financial instrument price, foreign exchange rate or other variable. Also included within financial risk is liquidity risk, the risk that obligations cannot be met as they become due as a consequence of being unable to readily realise assets to meet these obligations.

Insurance risk

Underwriting risk
When it was underwriting insurance business, the Group managed the transfer of insurance risk from its cedants in a number of ways. Underwriting guidelines governed the products it was willing to sell and the geographical location in which the risk was located. Before risk was accepted, its impact upon the overall risk profile of the insurance portfolio was assessed. Underwriting controls included the establishment of limits on underwriting authority and the monitoring of exposure by industry, geographical region and class of business.

The Group used a variety of reserving and modelling methods to determine the levels of insurance risk accepted. The modelling techniques employed helped the Group to monitor, estimate and control its exposure to natural and man-made catastrophes. Diversification was sought through the range of products sold and geographical locations in which business was written.

The Group Underwriting Committee monitored emerging issues that affected its exposure to insurance risk such as new areas of liability and the impact of major losses.

Sources of uncertainty in the estimation of future claim payments
The Group takes steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

In estimating the liability for the cost of reported claims not yet paid, the Group considers any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. Large claims are assessed on a case-by-case basis or projected separately in order to allow for the possible distorting effect of their development and incidence on the rest of the portfolio.

The estimation of claims incurred but not reported ("IBNR") is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Group, where information about the claim event is available. An assessment of the liability for future claims is affected not only by the risks inherent in the perils insured but also by changes that may occur in the legal and judicial environment before claims are settled, all of which affect the quantum of the claim. Additionally, the practical limits to information flows from insured parties hampers the estimation of the claim amounts.

For casualty risks, for example, claims may not be apparent to the insured until many years have passed after the event that gave rise to the claims. The Group's casualty business was typically written on an occurrence basis, meaning that the Group is liable for all insured events that occurred during the term of contract, even if the loss is discovered after the end of the contract term. Liability claims are therefore notified and settled over a long period of time. As a result, for casualty business, a large element of the claims provision relates to IBNR and will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these liabilities.

For property business, the greatest uncertainty arises from catastrophe events, where a single event affects a large number of contracts. In such cases the Group estimates the IBNR using an exposure methodology, assessing each programme written by the Group to determine the expected claims in respect of that event.

For property business other than catastrophe, and for casualty business, the IBNR is typically based on a combination of loss-ratio-based estimates and claims-experience-based estimates, with greater weight given to actual claims experience as time passes. The initial loss-ratio estimate is an important assumption in the estimation technique and is based on a number of factors including previous years' experience, premium rate changes, market experience and historical claims inflation.

The projections given by the various methodologies also assist in estimating the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each underwriting year.

The amount of casualty claims is particularly sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort. Casualty contracts are also subject to the emergence of new types of latent claims, but no allowance is included for this at the balance sheet date.

The following table presents the Group's booked gross claims outstanding before claims handling provisions and before discount by class of business.

As at 31 December 2008 $'million	**General liability**	**Motor**	**Workers' comp.**	**Professional**	**Property**	**MAT1**	**Total**
1999 and prior	48.9	59.2	2.2	1.6	25.3	70.1	207.3
2000	18.7	8.7	11.1	9.1	4.7	18.2	70.5
2001	20.4	6.0	16.3	5.4	2.0	8.7	58.8
2002	19.5	4.3	4.9	9.0	5.0	3.1	45.8
2003	25.6	13.1	2.9	16.8	1.5	1.6	61.5
2004	25.8	19.4	5.2	18.8	3.3	0.1	72.6
2005	16.2	26.1	2.1	23.0	25.1	0.2	92.7
Reinsurance reserves	**175.1**	**136.8**	**44.7**	**83.7**	**66.9**	**102.0**	**609.2**
Insurance reserves	**152.6**	**38.2**	**64.5**	**22.1**	**7.4**	**-**	**284.8**
Total non-life reserves	**327.7**	**175.0**	**109.2**	**105.8**	**74.3**	**102.0**	**894.0**
Life structured settlements							**260.2**
Life reinsurance							**86.0**
Provision for claims outstanding, reported and not reported							**1,240.2**

As at 31 December 2007 $'million	**General liability**	**Motor**	**Workers' comp.**	**Professional**	**Property**	**MAT1**	**Total**
1999 and prior	90.9	43.9	14.9	0.5	28.9	73.6	252.7
2000	25.9	10.6	10.7	13.9	6.9	21.0	89.0
2001	25.1	8.3	16.7	9.8	3.3	10.5	73.7
2002	28.3	7.1	5.8	19.4	6.1	3.6	70.3
2003	30.3	23.5	3.4	23.6	1.5	5.1	87.4
2004	33.0	32.9	6.6	24.7	7.5	0.2	104.9
2005	14.6	49.2	2.3	24.3	45.7	1.5	137.6

Reinsurance reserves	**248.1**	**175.5**	**60.4**	**116.2**	**99.9**	**115.5**	**815.6**
Insurance reserves	**221.7**	**63.7**	**100.2**	**26.4**	**9.0**	**-**	**421.0**
Total non-life reserves	**469.8**	**239.2**	**160.6**	**142.6**	**108.9**	**115.5**	**1,236.6**
Life structured settlements							**277.1**
Life reinsurance							**91.9**
Provision for claims outstanding, reported and not reported							**1,605.6**

1 Marine, Aviation and Transport

The following table analyses Alea's gross claims outstanding between incurred but not reported ('IBNR') and case reserves. The insurance and reinsurance splits are in line with the Group's typical business tail and the relative maturity of the respective books.

	As at 31 December 2008	**As at 31 December 2007**
	%	**%**
Case reserves	47	46
IBNR	53	54
Total	**100**	**100**

Prior year reserve development

The Group's expected loss development is determined by the Group's internal actuaries based on historical claims analysis and projected trends. Actual reported losses may vary from expected loss development. Generally, as an underwriting year matures, the level of newly reported claims decreases.

During the twelve months ended 31 December 2008 the Group experienced adverse development in the reserves, net of reinsurance and excluding the impact of commutations and discount of $11.8 million (31 December 2007: adverse reserve development, net of reinsurance and excluding the impact of commutations and discount of $29.9 million).

Net reserve development is determined by netting adverse and positive reserve development. 35.4% of the negative 2008 reserve development relates to the Group's reinsurance portfolio (2007: 129.2%). Reinsurance operations by their nature add further complications to the reserving process, particularly to casualty business, where there is an inherent lag in the timing and reporting of a loss event from an insured or ceding company to the reinsurer. This reporting lag creates an even longer period of time between the policy inception and when a claim is finally settled. As a result, more judgement is required to establish reserves for ultimate losses in reinsurance operations.

All amounts included in net insurance claims arise from the movement in the prior year provision for claims outstanding net of reinsurance except for net insurance claims of $14.1 million (2007: $14.7 million) relating to the Group's life business.

Historical ultimate loss ratios ('ULR')

The ULR is an actuarial estimate of total claims to the point of final settlement as a percentage of gross ultimate premiums. It excludes expenses. The table below shows the ULR as of 31 December 2008 for proportional and non-proportional US casualty reinsurance, gross of reinsurance and prior to discounting. The Group's US casualty reinsurance ULR shown in the table below is the aggregate ULR for Alea North America, Alea London and Alea Bermuda. The table also shows the aggregate ULR for Alea Europe.

	US casualty proportional	**US casualty non-proportional**	**Europe**
Underwriting year	%	%	%
1995	-	64.5	65.6
1996	-	-	74.5
1997	-	-	91.3

1998	29.5	67.5	107.7
1999	162.4	123.2	137.1
2000	127.2	161.6	95.9
2001	90.0	118.9	77.7
2002	72.8	95.8	71.2
2003	63.1	63.0	48.2
2004	61.2	59.4	48.5
2005	77.1	75.7	70.2

Note 24 to the financial statements presents the development of the estimate of ultimate claim cost for policies underwritten in a given year. This gives an indication of the accuracy of the Group's estimation technique for ultimate claims payments.

If the gross claims reserve carried in the balance sheet moved by 1% the impact on the income statement and equity would be a change of $12.4 million (31 December 2007: $16.1 million) on an undiscounted and pre-tax basis.

Investment and credit risk

Investment risk
The Group's investment strategy is based on a high quality diversified portfolio of liquid investment grade fixed income securities as a method of preserving equity capital and prompt claim payment capability.

The Group uses investment managers to invest most of its assets. The Group's Investment Committee recommends investment policies and guidelines for investment managers which are submitted for approval to the Boards of Directors of the Group's regulated insurance companies. These guidelines specify criteria on the overall credit quality and liquidity characteristics of the portfolio and include limitations on the size of certain holdings as well as restrictions on purchasing certain types of securities.

The Group's invested assets are subject to interest rate risk. The Group's interest rate risk is concentrated in the US and Europe and is sensitive to many factors, including governmental monetary policies and domestic and international economic and political conditions. Based on invested assets at external managers of $1,054.1 million as at 31 December 2008, a 100 basis point increase/decrease in interest rates across the yield curve would result in an approximate $9.5 million unrealised loss/profit respectively (2007: on invested assets at external managers of $1,317.2 million a 100 basis point increase/decrease in interest rates across the yield curve would result in an approximate $19.3 million unrealised loss/profit respectively). The entire impact of $9.5 million would be reflected in equity since all investments are available for sale.

The assets managed by fund managers show the asset mix below. The remaining invested assets of $146.1 million (2007: $202.3 million) include predominantly mutual funds invested in fixed income securities.

Asset class	**31 December 2008 in %**	**31 December 2007 in %**
US government	16	20
US mortgage	21	15
EU and Switzerland government and corporate	10	15
US corporate	3	10
US municipalities	-	1
Asset backed securities	22	2
Canadian government and provinces	-	2
Cash, cash equivalents and short term investments	28	35
	100	100

Financial and insurance liabilities risk
The Group is also exposed to interest rate risk on its insurance reserves and floating rate borrowings.

Where appropriate, reserves are discounted in accordance with existing UK GAAP as permitted by IFRS 4. Discount rates are based on the expected future cash flow derived from assets established for the payment of reserves. The Group discounts loss reserves for certain business with a mean term to ultimate claims settlement in excess of four years. The majority of such discount applies to casualty business. The unwind of the discount is sensitive to the claims payment pattern.

The Group discount rate used is based on the relevant average investment return of the last five years. A reduction of 0.1% would reduce the net discount in the balance sheet by approximately $1.2 million (2007: $1.6 million) and would negatively impact income statement and equity by the same amount. -

The Group has $120 million of trust preferred securities in issue. These securities provide for a preferred dividend at a rate of three month LIBOR plus 285 basis points.

The Group had $30.0 million outstanding under its loan facility which was due for repayment on 18 July 2009. This loan carried an interest margin of 200 basis points over LIBOR and was repaid on 14 January 2008.

Credit risk

When the Group was underwriting, it purchased reinsurance to manage its catastrophe exposure and mitigate insurance risk. However, the ceding of insurance risk exposes the Group to credit risk from its reinsurers and retrocessionaires.

The Group selected its reinsurers and retrocessionaires based on price and credit quality and continues to monitor them closely over time. It also sought to diversify its business among reinsurers and retrocessionaires and required collateral where deemed prudent to do so. Thus, the use of maximum limits for credit exposure to any one counter party was an effective method for mitigating credit risk.

The Group required that at the time of purchase all reinsurers and retrocessionaires had a minimum credit rating of A-, unless high quality collateral is provided.

Additionally, the Group is subject to credit risk in respect of third party companies in which the Group holds debt securities issued by those companies. As a consequence of the established investment policies and in order to mitigate investment risk, apart from $16.5 million rated BBB/Baa and $0.9 million rated BB/Ba, all of the Group's fixed income portfolio was rated A or better and 94.6% (31 December 2007: 85.3%) was rated AA/Aa or better by either Standard & Poor's or Moody's. The portfolio had a weighted average rating of AA/Aa based on ratings assigned by Standard & Poor's or Moody's. Other than with respect to US, Canadian and European Union government and agency securities, the Group's investment guidelines limit its aggregate exposure to any single issuer to 5% of its portfolio. All securities must be rated A or better at the time of purchase. The Group recognised an impairment to the purchase of non-agency US mortgage-backed securities of $2.6 million in 2008 (2007: $nil). The following table illustrates the split of total debt securities by rating of investee.

Credit Rating of investee	**Debt security investment as at 31 December 2008 in %**	**Debt security investment as at 31 December 2007 in %**
AAA / Aaa / US Government or equivalent	**88.2**	74.8
AA / Aa	**6.3**	10.5
A	**3.8**	14.4
BBB / Baa or lower	**1.7**	0.3
Total	**100.0**	100.0

Certain credit ratings at 31 December 2008 referred to above were downgraded in February 2009. See note 39 for further discussion of this matter.

At 31 December 2008, the Group's largest aggregate exposure to any single issuer other than with respect to the United States, Canadian and European government and agency securities was $48.4 million (31 December 2007: $23.4 million) in respect of Countrywide Alternative Loan Trusts.

Depending upon the duration of the liabilities supported by a particular portfolio, the Group's portfolio investment duration targets may range from one to three years. The duration of an investment is based on the maturity of the security and also reflects the payment of interest and the possibility of early principal payment of such security. The Group seeks to utilise investment benchmarks that reflect this duration target. The Group's Investment Committee periodically reviews the Group's investment benchmarks based on business and economic factors including the average duration of the Group's potential liabilities.

At 31 December 2008, the Group's investment portfolio had an effective duration of 0.9 years (31 December 2007: 1.5 years). The Group has shortened duration targets on its investment portfolios to ensure that sufficient liquidity will be available to execute the commutation strategy and to reflect the greater uncertainty now inherent in the duration of its liabilities with this commutation strategy.

Analysis by credit rating of all financial assets (impaired, past due, neither past due nor impaired):

As at 31 December 2008

	AAA /Aaa	AA/Aa	A	BBB/Baa and below	Collater-alised	Equities	Not rated	Non financial asset	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Property, plant and equipment	-	-	-	-	-	-	-	3,535	3,535
Intangible assets	-	-	-	-	-	-	-	8,479	8,479
Deferred acquisition costs	-	-	-	-	-	-	-	1,555	1,555
Financial assets - available for sale securities	425,671	129,251	92,516	32,018	-	111	2,750	-	682,317
Loans and receivables including insurance receivables	345,100	45,014	127,754	19,276	4,828	-	66,021	77	608,070
Deferred tax assets	-	-	-	-	-	-	-	653	653
Reinsurance contracts	11,822	282,548	61,831	1,710	47,427	-	17,987	-	423,325
Cash and cash equivalents	57,575	5,052	46,097	1	-	-	8,935	-	117,660
Total assets	840,168	461,865	328,198	53,005	52,255	111	95,693	14,299	1,845,594

As at 31 December 2007

	AAA /Aaa	AA/Aa	A	BBB/Baa and below	Collater-alised	Equities	Not rated	Non financial asset	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Property, plant and equipment	-	-	-	-	-	-	-	4,487	4,487
Intangible assets	-	-	-	-	-	-	-	8,479	8,479
Deferred acquisition costs	-	-	-	-	-	-	-	2,323	2,323
Financial assets - available for sale securities	1,021,401	143,186	197,107	3,346	-	165	-	-	1,365,205
Loans and receivables including insurance receivables	36,134	45,477	72,805	5,176	12,396	-	101,710	9	273,707
Deferred tax assets	-	-	-	-	-	-	-	1,034	1,034
Reinsurance contracts	22,886	315,401	83,906	1,980	62,164	-	60,464	-	546,801
Cash and cash equivalents	51,711	78,781	23,611	88	-	-	62	-	154,253
Total assets	1,132,132	582,845	377,429	10,590	74,560	165	162,236	16,332	2,356,289

Analysis by credit rating of assets that were neither past due nor impaired at the balance sheet date:

As at 31 December 2008

	AAA /Aaa	AA/Aa	A	BBB/Baa and below	Collater-alised	Equities	Not rated	Non financial asset	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Property, plant and equipment	-	-	-	-	-	-	-	3,535	3,535
Intangible assets	-	-	-	-	-	-	-	8,479	8,479
Deferred acquisition costs	-	-	-	-	-	-	-	1,555	1,555
Financial assets - available for									

sale securities	425,671	129,251	92,516	32,018	-	111	2,750	-	682,317
Loans and receivables including insurance receivables	341,657	44,876	113,134	19,249	4,828	-	34,277	77	558,098
Deferred tax assets	-	-	-	-	-	-	-	653	653
Reinsurance contracts	11,822	282,548	61,831	1,710	47,427	-	11,858	-	417,196
Cash and cash equivalents	57,575	1,717	49,432	1	-	-	8,935	-	117,660
Total assets	836,725	458,392	316,913	52,978	52,255	111	57,820	14,299	1,789,493

As at 31 December 2007

	AAA /Aaa	AA/Aa	A	BBB/Baa and below	Collater-alised	Equities	Not rated	Non financial asset	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Property, plant and equipment	-	-	-	-	-	-	-	4,487	4,487
Intangible assets	-	-	-	-	-	-	-	8,479	8,479
Deferred acquisition costs	-	-	-	-	-	-	-	2,323	2,323
Financial assets - available for sale securities	1,021,401	143,186	197,107	3,346	-	165	-	-	1,365,205
Loans and receivables including insurance receivables	31,606	44,914	69,730	4,562	12,397	-	71,474	9	234,692
Deferred tax assets	-	-	-	-	-	-	-	1,034	1,034
Reinsurance contracts	22,886	315,403	83,907	1,468	62,165	-	53,254	-	539,083
Cash and cash equivalents	51,711	78,781	23,611	88	-	-	62	-	154,253
Total assets	1,127,604	582,284	374,355	9,464	74,562	165	124,790	16,332	2,309,556

Analysis of impaired and past due assets

In performing its assessment of which assets should be impaired, the Group considers reinsurer ratings, the existence of notified disputes and historical collection experience.

The following table presents financial assets that were impaired, or past due but not impaired at the end of the year.

As at 31 December 2008

	0-3 months past due	4-6 months past due	7-9 months past due	10-12 months past due	More than 12 months past due	Impaired	Total	Neither past due nor impaired	Total assets
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Property, plant and equipment	-	-	-	-	-	-	-	3,535	3,535
Intangible assets	-	-	-	-	-	-	-	8,479	8,479
Deferred acquisition costs	-	-	-	-	-	-	-	1,555	1,555
Financial assets - available for sale securities	-	-	-	-	-	-	-	682,317	682,317
Loans and receivables including insurance receivables	6	3,292	46	25	32,809	13,794	49,972	558,098	608,070
Deferred tax assets	-	-	-	-	-	-	-	653	653
Reinsurance contracts	-	-	-	-	-	6,129	6,129	417,196	423,325
Cash and cash equivalents	-	-	-	-	-	-	-	117,660	117,660
Total assets	6	3,292	46	25	32,809	19,923	56,101	1,789,493	1,845,594

As at 31 December 2007

	0-3 months	4-6 months	7-9 months	10-12	More than	Impaired	Total	Neither	Total

	past due	past due	past due	months past due	12 months past due			past due nor impaired	assets
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Property, plant and equipment	-	-	-	-	-	-	-	4,487	4,487
Intangible assets	-	-	-	-	-	-	-	8,479	8,479
Deferred acquisition costs	-	-	-	-	-	-	-	2,323	2,323
Financial assets - available for sale securities	-	-	-	-	-	-	-	1,365,205	1,365,205
Loans and receivables including insurance receivables	2,000	2,016	-	836	22,226	11,937	39,015	234,692	273,707
Deferred tax assets	-	-	-	-	-	-	-	1,034	1,034
Reinsurance contracts	-	-	-	-	-	7,718	7,718	539,083	546,801
Cash and cash equivalents	-	-	-	-	-	-	-	154,253	154,253
Total assets	2,000	2,016	-	836	22,226	19,655	46,733	2,309,556	2,356,289

As at 31 December 2008 $32.7 million of assets consisting of financial assets carried at amortised cost, reinsurance contracts and debtors arising out of reinsurance operations were subject to a valuation allowance in respect of impairment (2007: $35.3 million). As at 31 December 2008, after deducting the impairment provision of $12.8 million (2007: $15.6 million) the impaired assets had a carrying value of $19.9 million (2007: $19.7 million).

Collateral pledged to and by the Group

The following table shows balance sheet carrying value of collateral pledged by the Group as a result of its underwriting activities:

	As at 31 December 2008	**As at 31 December 2007**
	$'000	**$'000**
Carrying value of financial assets pledged to insured parties as collateral for liabilities	**769,634**	1,009,808

The financial assets have been pledged as collateral under the following terms and conditions:

Alea London Limited has written regulated US business and has as a result been required to provide a collateralised Trust Fund in respect of outstanding claims relating to this business. Collateral is provided in the form of cash and approved investments in accordance with the terms of the trust deed. The total amount of collateral provided at 31 December 2008 was $51.3 million (2007: $63.1 million). In addition Alea London Limited maintains letter of credit ("LOC") facilities in respect of its previous underwriting activities and is obliged to collateralise any LOCs issued under these facilities. The total amount of collateral provided at 31 December 2008 under these treaties was $99.4 million (2007: $136.7 million). Alea London Limited has SICAV investments of $8.0 million (2007: $7.7 million) pledged as security for reinsurance obligations. At 31 December 2008 Alea London Limited had $nil other restricted deposits (2007: $0.4 million).

Alea Europe Ltd maintains LOC facilities in respect of its previous underwriting and is obliged to collateralise any LOCs issued under these facilities. The total amount of collateral provided at 31 December 2008 was $99.3 million (2007: $136.1 million). The amount held in trust for the benefit of holders of North American policies is $47.9 million (2007: $68.6 million). Additionally, Alea Europe Ltd holds a permanent amendment to irrevocable standby LOC of $3.5 million (2007: $3.8 million) in favour of its cedents. Alea Europe Ltd has SICAV investments of $59.9 million (2007: $50.8 million) pledged as security for reinsurance obligations.

Alea (Bermuda) Ltd has pledged collateral in the form of various LOCs totaling $10.0 million (2007: $9.5 million) which are held as cash and invested assets in designated collateral accounts. Other collateral pledged totaling $111.7 million (2007: $106.9 million) is in respect of quota share policies written by Alea (Bermuda) Ltd for Lumberman's and Alea North America Specialty Insurance Company. The collateral is pledged in the form of trust accounts. Additionally collateral of $108.1 million (2007: $176.2 million) is pledged in the form of a trust account for the benefit of Alea North America Insurance Company.

Alea North America Insurance Company has pledged assets consisting of LOCs, trust funds and cash totaling $78.2 million (2007: $116.3 million). LOCs are automatically extended without amendment for a period of one year following the expiration date. Alea North America Insurance Company also has securities on deposit at various state regulators totaling $92.3 million (2007: $133.7 million).

A portion of trust assets pledged by Alea (Bermuda) Ltd and by Alea North America Insurance Company consist of non-agency US mortgage-backed securities ($324.0 million in amortised cost at year-end 2008). These trust mechanisms typically require minimum ratings of the underlying securities and that the valuation of the securities at least equal the reserves established by the counter-party. Ratings and valuations of the Group's portfolio of non-agency US mortgage-backed securities have been volatile. Further deterioration in ratings or valuations could require that a significant amount of the assets currently pledged as collateral be replaced or supplemented with other qualifying assets. Further information on this topic can be found in note 39.

The fair value of collateral pledged to the Group as a result of its underwriting activities:

	As at 31 December 2008 $'000	As at 31 December 2007 $'000
Fair value of collateral held by the Group that can be sold or repledged regardless of whether the owner of the collateral defaults	**66,321**	94,690
Carrying amount of any assets obtained by taking possession of collateral held as security	**34,206**	48,748

Alea North America Insurance Company holds collateral as security for claims due from third-parties of $66.3 million (2007: $94.7 million) which consists of funds held in trust and LOCs.

Alea (Bermuda) Ltd, holds collateral in respect of certain reinsurance recoverables in the form of $10.6 million of LOCs (2007: $15.5 million), $1.0 million of cash collateral (2007: $2.5 million) and $22.6 million of funds withheld (2007: $30.3 million), and generally has the right to hold this collateral remains until commutation or a mutual agreement to decrease the collateral.

Impairment provision analysis

The following impairment provisions have been made against financial assets carried at amortised cost with the credit ratings indicated:

	As at 31 December 2008 $'000	As at 31 December 2007 $'000
AAA or Aaa	**(2,563)**	-
AA or Aa	-	-
A	-	-
BBB or Baa and below	-	-
Not rated	-	(1,050)
	(2,563)	(1,050)

The following impairment provisions have been made against reinsurance contracts with the credit ratings indicated:

	As at 31 December 2008 $'000	As at 31 December 2007 $'000
AAA or Aaa	-	-
AA or Aa	-	-
A	-	-
BBB or Baa and below	-	-
Not rated	(550)	(1,050)
	(550)	(1,050)

The following impairment provisions have been made against debtors arising out of insurance operations with the credit ratings indicated:

	As at 31 December 2008 $'000	As at 31 December 2007 $'000
AAA or Aaa	-	-
AA or Aa	-	-
A	-	-
BBB or Baa and below	-	-
Not rated	-	(1,459)
	-	(1,459)

The following impairment provisions have been made against debtors arising out of reinsurance operations with the credit ratings indicated:

	As at 31 December 2008 $'000	As at 31 December 2007 $'000
AAA or Aaa	(3)	(2)
AA or Aa	23	(186)
A	114	(249)
BBB or Baa and below	(36)	(509)
Not rated	(9,753)	(12,105)
	(9,655)	(13,051)

The following table analyses the movements in the impairment provisions:

	Impairment Provisions $'000
At 1 January	(16,215)
Amounts written off	(699)
Recoveries on assets previously written off	1,673
Net exchange differences	(319)

At 31 December 2007	(15,560)
Amounts written off	(2,563)
Recoveries on assets previously written off	5,624
Net exchange differences	(269)
At 31 December 2008	**(12,768)**

Fair value of financial instruments

Fair value to carrying value comparison
Other than for the financial instruments shown in the following table, the carrying amount shown in the balance sheet is a reasonable approximation of fair value for each class of financial asset and financial liability.

As at 31 December 2008	Carrying value $'000	Fair value $'000
Financial assets carried at amortised cost	400,232	253,707

Fair value represents quotes received from Interactive Data Corporation ('IDC'). IDC offers daily evaluations for structured product securities. Evaluations are based on the interpretation of accepted Wall Street modelling and pricing conventions. IDC obtains and applies dealer quotes, available trade information, street consensus prepayment speeds, US Treasury curve, swap curve and cash settlements. Depending on the characteristics of the tranche, a single cash flow stream model is generally used for evaluation. As input into the model, IDC use buy and sell side sources, including primary, and secondary dealers, portfolio managers, and research analysts. Evaluation is determined by the ability to generate predicted cash flows, a benchmark yield, collateral performance and tranche level attributes.

Prices can also be established from active broker quotes if sufficient information, such as cash flows, or other market information is not available to produce an evaluation. These quotes are active updated quotes from market makers, or broker-dealers widely recognised as market participants.

As at 31 December 2007 the carrying amount shown in the balance sheet was a reasonable approximation of fair value for all classes of financial asset and financial liability.

Financial risk

The Group is subject to several types of financial risk. The most significant of these is the risk that at any given date, the proceeds from realising the financial assets of the Group may be insufficient to meet the financial obligations arising from its insurance contracts. The Group is also exposed to risk as a result of changes in foreign currency and interest rates. Another significant risk relates to the liquidity of the Group.

Asset and liability mismatch risk
In order to ensure that adequate liquid resources are available to fund insurance liability cash outflows when

they fall due, the Group's practice is to invest in assets matching the currency and duration of the expected related liabilities.

Currency risk
The Group reports its results in US Dollars and accordingly, to the extent that shareholders' funds are invested in assets denominated in currencies other than US Dollars, exchange gains or losses may arise on translation.

The Group controls its currency risk by investing in assets that match the currency in which it expects related liabilities to be paid and by investing the majority of assets backing shareholder funds in US Dollars. The Directors consider the revaluation gains and losses arising from the revaluation of non-functional currencies that impact the income statement and equity to be insignificant.

The Group estimates that its net exposure to currencies is as follows:

As at 31 December 2008

Functional Currencies in $ '000								
USD	**AUD**	**GBP**	**CHF**	**Euro**			**Subtotal**	
344,962	(1,261)	1,221	(18,791)	43,153			369,284	
Non-Functional Currencies in $'000								
GBP	**Euro**	**SEK**	**DKK**	**JPY**	**CAD**	**Other**	**Subtotal**	**Total**
29,923	11,085	(11,047)	232	-	17,419	(10,804)	36,808	406,092

Functional Currencies in %								
USD	**AUD**	**GBP**	**CHF**	**Euro**			**Subtotal**	
84.9	(0.3)	0.3	(4.6)	10.6			90.9	
Non-Functional Currencies in %								
GBP	**Euro**	**SEK**	**DKK**	**JPY**	**CAD**	**Other**	**Subtotal**	**Total**
7.4	2.7	(2.7)	0.1	-	4.3	(2.7)	9.1	100.0

As at 31 December 2007

Functional Currencies in $ '000								
USD	**AUD**	**GBP**	**CHF**	**Euro**			**Subtotal**	
330,730	21,204	440	(22,177)	50,560			380,757	
Non-Functional Currencies in $'000								
GBP	**Euro**	**SEK**	**DKK**	**JPY**	**CAD**	**Other**	**Subtotal**	**Total**
27,466	22,850	(6,806)	(4,753)	(4,569)	25,430	(12,336)	47,282	428,039

Functional Currencies in %								
USD	**AUD**	**GBP**	**CHF**	**Euro**			**Subtotal**	
77.3	5.0	0.1	(5.2)	11.8			89.0	
Non-Functional Currencies in %								
GBP	**Euro**	**SEK**	**DKK**	**JPY**	**CAD**	**Other**	**Subtotal**	**Total**
6.4	5.3	(1.6)	(1.1)	(1.1)	5.9	(2.8)	11.0	100.0

A positive percentage arises when assets exceed liabilities denominated in that currency while a negative percentage arises when liabilities exceed assets.

The translation gains and losses of functional currencies are recognised as a separate component of equity where as the gains and losses arising from the translation of non-functional currencies are recorded in the income statement.

Included within this currency analysis are net non-monetary assets which equate to 2.6% (2007: 2.8%) of the Group's net assets.

Liquidity Risk
Liquidity risk is the potential that obligations cannot be met as they become due as a consequence of not being able to readily realise assets to meet these obligations.

In December 2004 and January 2005, the Group issued a total of $120.0 million of hybrid trust preferred securities. These securities were issued through trusts established by Alea Holdings US Company a subsidiary of the Group holding company. The margin on these securities was unaffected by the credit rating downgrades and remains at LIBOR plus 285 basis points. The securities have a fixed maturity of 30 years, are callable after five years, and allow for a deferral of quarterly coupons for up to five years.

The following table analyses the contractual maturity dates of the undiscounted liabilities carried on the Group's balance sheet. The maturity analysis in respect of insurance contracts represents an estimate of the maturity dates for these liabilities due to the fact the insurance contract liabilities are payable on demand.

As at 31 December 2008	Undiscounted						
	On demand and within one year $'000	One to three years $'000	Three to five years $'000	Over five years $'000	Total undiscounted liabilities $'000	Discount on insurance contract liabilities $'000	Total discounted liabilities $'000
LIABILITIES							
Insurance contracts	236,020	296,072	174,352	543,467	1,249,911	(48,725)	1,201,186
Borrowings	-	-	-	117,867	117,867	-	117,867
Provisions	2,197	611	-	-	2,808	-	2,808
Other liabilities and charges	15,350	6,458	-	-	21,808	-	21,808
Trade and other payables	25,830	29,321	15,819	24,255	95,225	-	95,225
Current income tax liabilities	608	-	-	-	608	-	608
Total liabilities	280,005	332,462	190,171	685,589	1,488,227	(48,725)	1,439,502

As at 31 December 2007	Undiscounted						
	On demand and within one year $'000	One to three years $'000	Three to five years $'000	Over five years $'000	Total undiscounted liabilities $'000	Discount on insurance contract liabilities $'000	Total discounted liabilities $'000
LIABILITIES							
Insurance contracts	374,225	417,139	183,463	642,605	1,617,432	(67,541)	1,549,891
Borrowings	-	30,000	-	117,785	147,785	-	147,785
Provisions	1,955	543	339	-	2,837	-	2,837
Other liabilities and charges	29,119	4,116	-	-	33,235	-	33,235
Trade and other payables	65,707	42,766	35,489	47,779	191,741	-	191,741
Current income tax liabilities	2,761	-	-	-	2,761	-	2,761
Total liabilities	473,767	494,564	219,291	808,169	1,995,791	(67,541)	1,928,250

Capital risk management

The total amount of capital managed by the Group is $515.5 million (2007: $537.4 million). The Group considers its managed capital to consist of net tangible assets of $397.6 million (2007: $419.6 million) and the trust preferred securities of $117.9 million (2007: $117.8 million).

The Board of Directors is responsible for assessing the Group's capital structure on a regular basis with the aim of selecting a debt-to-equity ratio that maximises return to shareholders. As at 31 December 2008 the debt-to-equity ratio was 21% (2007: 26%).

The main aim of the Group's capital management strategy is to free-up excess capital which can be reinvested in the business or returned to shareholders consistent with holding sufficient capital in each insurance operating entity to meet regulatory requirements. The Group has been in run-off since the fourth quarter 2005 and has conducted its operations in accordance with this strategy.

There have been no changes in the Group's capital management policies since the previous period.

As at 31 December 2007 the Group was required to hold sufficient capital to meet the conditions of the bank loan covenant in respect of the $30.0 million term loan. Subsequent to 31 December 2007 the Group repaid this term loan and is no longer subject to this capital requirement.

The Group is subject to externally imposed capital requirements in respect of all entities that previously wrote insurance and reinsurance business. These requirements, which have been complied with during the year, are enforced within the individual locations and are detailed below.

Alea London Limited is regulated by the UK Financial Services Authority ("FSA"). It is required by the FSA to submit an annual statement of solvency and to hold capital resources in excess of its capital resources requirement.

Alea North America Insurance Company is regulated by the New York Insurance Department ("NYID"). It is required by the NYID to submit an annual risk based capital statement and to hold total adjusted capital in excess of the Company Action Level which is 200% of its Authorised Control Level Risk-Based Capital.

Alea (Bermuda) Limited is regulated by the Bermuda Monetary Authority ("BMA"). It is required by the BMA to submit an annual statutory financial return and to hold statutory capital and surplus in excess of its minimum solvency margin.

Alea Europe Ltd. is regulated by the Swiss Federal Office of Private Insurance ("FOPI"). A Swiss reinsurer must maintain available own funds at the level of the required solvency margin, which is calculated by reference to the business volume (Solvency 1). Additionally, the reinsurer must maintain its target capital which is defined as the sum of the expected shortfall of change in risk-bearing capital within one year at the 99% confidence level plus the market value margin, as required by the Swiss Solvency Test (Solvency 2).

The Group has embedded its capital management processes into its normal planning, reporting and decision making activities.

5 Net realised losses on sale of renewal rights

	Alea London Limited	Alea North America Insurance Company	Alea Europe Ltd	Total
	$'000	$'000	$'000	$'000
Year ended 31 December 2008	-	-	-	-
Year ended 31 December 2007	-	(1,880)	157	(1,723)

The Group completed three renewal rights transactions in the fourth quarter of 2005. These were accounted for as net realised gains on sale of renewal rights which were recognised in the year ended 31 December 2005, and represented the Directors' valuation at fair value of the business sold. In determining the fair market value of renewal rights sales, the Board considered the prior production and growth of the businesses sold, external projections and a recent assessment of the businesses sold. The fair market value of the renewal rights is regularly evaluated by the Board based on available data.

Where necessary, amounts are charged or credited to the income statement to reflect any changes in the fair value which is based on the latest financial data available. These amounts reflect the discounted estimated future cash flows arising from specified percentages of applicable commissionable premiums written over the applicable period in accordance with sale contracts. In the year ended 31 December 2008 a charge of $nil was recognised in respect of the renewal rights transactions (year ended 31 December 2007: charge of $1.7 million).

Following the reassessments performed at each balance sheet date subsequent to 31 December 2005, the gains have been calculated as the fair value of consideration receivable ($54.4 million). The Group has received payments to 31 December 2008 of $25.7 million (31 December 2007: $22.6 million). The remaining balance of $28.7 million (31 December 2007: $31.8 million) is included within loans and receivables including insurance receivables and consists of $28.2 million owed by AmTrust and $0.5 million owed by Canopius. The non-current portion of the receivable at 31 December 2008 is $14.2 million (31 December 2007: $29.6 million).

These amounts represent the Directors' best estimates of the risk adjusted future receipts discounted at 4.0%. These receipts are dependent upon the future levels of business generated on renewal in relation to the rights sold over differing time periods as specified in the sale contracts. A 10% deviation of the projected renewals would result in a change in receivable of $3.92 million.

The directors consider that the receivable is collectable based upon an assessment of the credit ratings of AmTrust and Canopius.

6 Restructuring costs

In 2005, the Group announced its intention to run-off all remaining property and casualty business. Those fixed assets not subject to renewal rights agreements and not required for the run-off operations have been written down to their residual value. Redundancy costs have been incurred in Connecticut. A restructuring provision has been established for employees in London, Basel and Zug. This provision included estimated expenses for future redundancy payments for employees who cannot be redeployed in the new structure. The provision also contained estimated expenses with regards to onerous contracts. Onerous contracts are operating leases in respect of any premises that are expected to be vacated as part of the restructuring. The provision was established based on a run-off plan approved by the Board of Directors. Other costs are included in the claims handling provisions.

Year ended 31 December 2008

	Alea UK $'000	Alea US $'000	Alea Europe $'000	Total $'000
Redundancy costs incurred in excess of the provision established based on run-off plan	313	283	-	596
Additional restructuring provision established [1]	337		783	1,120
Total restructuring costs	**650**	**283**	**783**	**1,716**

Year ended 31 December 2007

	Alea UK $'000	Alea US $'000	Alea Europe $'000	Total $'000
Redundancy costs incurred in excess of the provision established based on run-off plan	1,245	326	-	1,571
Total restructuring costs	**1,245**	**326**	**-**	**1,571**

[1] As a result of the outsourcing arrangement entered into in the year, an additional provision has been established to reflect contractual obligations made in respect of staff retention bonuses and severance payments.

7 Segmental information

Operating results by reportable segment

The Group classifies all of its operations under the 'Run-off business' segment. This reflects the basis on which the Group's operations are managed. Insurance liabilities are determined using a consistent reserving methodology across the Group and are monitored and reported on a Group-wide basis, investments and cash treasury are managed by a centralised function and senior staff resource is deployed on a Group-wide basis. This structure reflects the relative maturity of the run-off book of business.

Geographical distribution of non-current assets

The Group holds non-current assets in the following countries:

	Property, plant and	Intangible	Non-current deferred acquisition

Year ended 31 December 2008	equipment $'000	assets $'000	costs $'000	Total $'000
Bermuda	25	-	-	25
United States	2,807	8,479	-	11,286
United Kingdom	574	-	-	574
Switzerland	129	-	1,055	1,184
Total	3,535	8,479	1,055	13,069

Year ended 31 December 2007	Property, plant and equipment $'000	Intangible assets $'000	Non-current deferred acquisition costs $'000	Total $'000
Bermuda	24	-	-	24
United States	3,557	8,479	-	12,036
United Kingdom	610	-	-	610
Switzerland	296	-	331	627
Total	4,487	8,479	331	13,297

8 Investment income

	Year ended 31 December 2008 $'000	Year ended 31 December 2007 $'000
Financial assets - available for sale interest income	36,856	67,070
Financial assets carried at amortised cost interest income	36,493	-
Cash and cash equivalents interest income	3,535	6,019
	76,884	73,089

9 Net realised losses on financial assets

	Year ended 31 December 2008 $'000	Year ended 31 December 2007 $'000
Realised gains on financial assets - available for sale	2,758	281
Realised losses on financial assets - available for sale	(4,134)	(1,591)
	(1,376)	(1,310)

10 Movement in prior year provision for insurance claims, net of reinsurance

All amounts included in net insurance claims arise from the movement in the prior year provision for claims outstanding net of reinsurance except for net insurance claims of $14.1 million (2007: $14.7 million) relating to the Group's life business.

11 Results of operating activities

Profit from operations has been arrived after charging:

	Year ended 31 December 2008 $'000	Year ended 31 December 2007 $'000
Depreciation of property, plant and equipment	**1,774**	2,534
Staff costs (see note 12)	**18,211**	27,579
Auditors' remuneration (see below)	**2,306**	2,369

A more detailed analysis of auditors' remuneration on a worldwide basis is provided below:

	Year ended 31 December 2008 $'000	Year ended 31 December 2007 $'000
Audit services[1]	**2,196**	2,193
Tax services	**-**	46
Actuarial and other consulting	**110**	130
Total auditors' remuneration	**2,306**	2,369

[1] Audit services includes a charge of $0.2 million in respect of the preparation of a special audit report required by Swiss legislation in connection with a reduction of capital.

12 Staff costs

The average monthly number of employees (including Executive Directors) was:

	Year ended 31 December 2008	Year ended 31 December 2007
Finance	**18**	22
Information Technology	**8**	14
Claims	**44**	50
Technical Accounts	**9**	15

Management and administration	13	18
	92	119

Their aggregate remuneration comprised:

	Year ended 31 December 2008 $'000	Year ended 31 December 2007 $'000
Wages and salaries [1]	15,770	24,401
Social security costs	1,120	1,562
Other pension costs (see note 37)	1,321	1,616
	18,211	27,579

[1] Severance payments of $1.5 million made in the year ended 31 December 2008 (2007: $2.0 million) are excluded in the table above. Of this $1.5 million, $0.9 million (2007: $0.4 million) was provided in the restructuring provision established at 31 December 2005 (see note 26). The remaining $0.6 million has been charged through the income statement in 2008 (see note 6).

13 Finance costs

	Year ended 31 December 2008 $'000	Year ended 31 December 2007 $'000
Interest on borrowings	7,511	18,184
Other investment expenses	2,487	2,932
Exchange losses on non-functional currencies and transactions losses	3,324	580
	13,322	21,696

14 Net gains or losses on borrowings

	Year ended 31 December 2008 $'000	Year ended 31 December 2007 $'000
Capitalised debt raising expenses charged to income statement	82	518
	82	518

15 Income tax expense

	Year ended 31 December 2008 $'000	Year ended 31 December 2007 $'000
Current tax expense/(credit):		
UK corporation tax	(9)	(5)
Foreign tax	1,092	1,002
Total current tax	1,083	997
Deferred tax (note 22):	1,156	(897)
Total income tax expense	2,239	100

UK corporation tax was calculated at 30% until 31 March 2008. From 1 April 2008, the rate was reduced to 28% (2007: 30%) of the estimated assessable UK profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The tax expense for the periods presented varied from the stated rate of UK corporation tax as explained below:

	Year ended 31 December 2008 $'000	Year ended 31 December 2007 $'000
Profit/(loss) on ordinary activities before taxation	6,178	(78,080)
Profit/(loss) on ordinary activities multiplied by the weighted average[1] standard rate of UK corporation tax at 28.5% (2007: 30%)	1,761	(23,424)
Factors affecting tax expense/(credit):		
Adjustment in respect of foreign tax rates	(1,639)	11,426
Adjustment in respect of prior periods	15	130
Overseas and other taxes	780	670
Change in UK corporation tax rate used to provide deferred tax asset	-	79
Deferred tax asset in respect of current year losses not recognised	5,208	9,936
Utilisation of tax losses in respect of which no deferred tax assets were provided	(4,731)	(600)
Other permanent differences	845	1,883
Tax expense for the year	2,239	100

In addition to the amount expensed to the income statement, deferred tax of $1.0 million has been credited to equity in the year (2007: expense of $1.0 million).

[1] UK corporation tax was calculated at 30% until 31 March 2008. From 1 April 2008, the rate was reduced to 28% (2007: 30%) of the estimated assessable UK profit for the year.

16 Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	Year ended 31 December 2008 $	Year ended 31 December 2007 $
Earnings		
Earnings for the purposes of basic earnings per share being net loss attributable to equity holders of the Company	3,938,543	(78,179,546)
Effect of dilutive potential ordinary shares:	-	-
Earnings for the purposes of diluted earnings per share	3,938,543	(78,179,546)

Number of shares	Year ended 31 December 2008 Number	Year ended 31 December 2007 Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	173,772,944	173,788,126
Effect of dilutive potential ordinary shares:		
- Share options	225,957	-
Weighted average number of ordinary shares for the purposes of diluted earnings per share	173,998,901	173,788,126

17 Property, plant and equipment

	Computer equipment and software $'000	Fixtures and office equipment $'000	Other $'000	Total $'000
Cost or Valuation				
At 1 January 2007	22,853	4,598	1,713	29,164
Additions	374	220	53	647
Exchange difference	383	23	133	539
Disposals	(830)	(448)	(2)	(1,280)
At 31 December 2007	22,780	4,393	1,897	29,070
Additions	403	482	-	885
Exchange difference	(7,500)	(655)	(1,843)	(9,998)
Disposals	(586)	(454)	-	(1,040)
At 31 December 2008	**15,097**	**3,766**	**54**	**18,917**

Accumulated

depreciation and impairment				
At 1 January 2007	(18,590)	(2,569)	(1,607)	(22,766)
Charge for the year	(2,017)	(392)	(125)	(2,534)
Exchange differences	(357)	(12)	(131)	(500)
Eliminated on disposals	823	394	-	1,217
At 31 December 2007	(20,141)	(2,579)	(1,863)	(24,583)
Charge for the year	(1,261)	(491)	(22)	(1,774)
Exchange differences	7,478	637	1,831	9,946
Eliminated on disposals	569	460	-	1,029
At 31 December 2008	**(13,355)**	**(1,973)**	**(54)**	**(15,382)**
Carrying amount				
At 31 December 2008	**1,742**	**1,793**	**-**	**3,535**
At 31 December 2007	2,639	1,814	34	4,487

18 Intangible assets

	Licences $'000
Cost	
At 1 January 2007	9,968
Additions	-
At 31 December 2007	9,968
Additions	-
At 31 December 2008	**9,968**
Amortisation	
At 1 January 2007	(1,489)
Impairment of asset	-
At 31 December 2007	(1,489)
Impairment of asset	-
At 31 December 2008	**(1,489)**
Carrying amount	
At 31 December 2008	**8,479**
At 31 December 2007	8,479

Capitalised licences represent the cost of licences acquired to conduct business in the United States. The Directors consider these licences to have indefinite useful lives. The licences are tested for impairment at each balance sheet date. At 31 December 2008 the impairment review indicated that the carrying value of the licenses reflects the recoverable amount and no impairment write down is necessary (31 December 2007: no impairment write down was necessary).

19 Deferred acquisition costs

	Deferred acquisition costs $'000
At 1 January 2007	3,506
Change in year	(1,351)
Exchange difference	168
At 31 December 2007	2,323
Change in year	(679)
Exchange difference	(89)
At 31 December 2008	**1,555**

At 31 December 2008	
Current assets	**500**
Non-current assets	**1,055**
	1,555

At 31 December 2007	
Current assets	1,992
Non-current assets	331
	2,323

20 Financial assets

	As at 31 December 2008 $'000	As at 31 December 2007 $'000
Available-for-sale investments		
- Equity securities	**111**	165
- Debt securities	**682,206**	1,365,040

The investments included above represent investments in listed equity securities and listed debt securities. The fair values of these investments are based on quoted market prices.

	As at	As at

	31 December 2008		31 December 2007	
Summary by maturity - Debt securities	**$'000**	**%**	**$'000**	**%**
Less than 1 year	**359,998**	**52.8**	598,506	43.8
1 year up to 3 years	**60,336**	**8.8**	317,638	23.3
3 years up to 5 years	**260**	**0.0**	113,916	8.3
5 years up to 10 years	**2,086**	**0.3**	102,707	7.5
More than 10 years	**259,526**	**38.1**	232,273	17.1
	682,206	**100.0**	1,365,040	100.0

21 Loans and receivables including insurance receivables

	As at 31 December 2008 $'000	As at 31 December 2007 $'000
Deposits with ceding undertakings	79,455	91,177
Financial assets carried at amortised cost	400,232	-
Debtors arising out of insurance operations	14	1,496
Debtors arising out of reinsurance operations	73,892	101,689
Amounts due from reinsurance operations not transferring significant risk	-	-
Accrued income [1]	35,842	42,805
Other prepayments	3,226	5,108
Other debtors	15,409	31,432
Total loans and receivables including insurance receivables	608,070	273,707
Current asset	40,375	49,182
Non-current asset	567,695	224,525
	608,070	273,707

[1] $28.7 million (31 December 2007: $31.8 million) of the renewal rights sales are recorded as accrued income at the balance sheet date as disclosed in note 5.

Loans and receivables including insurance receivables are recorded on the balance sheet at amortised cost.

Year ended 31 December 2008	**Amount reclassified out of available for sale debt securities category $'000**	**Amount reclassified into loans and receivables category $'000**
Financial assets carried at amortised cost	253,707	400,232

No other assets were reclassified in the year ended 31 December 2008 (2007: $nil).

	As at 31 December 2008 $'000	As at 31 December 2007 $'000
Financial assets carried at amortised cost		
Carrying value of financial assets that have been reclassified	400,232	-
Fair value of financial assets that have been reclassified	253,707	-
Estimated amounts of cash flows expected to be recovered in respect of reclassified assets	656,230	-

	Year ended 31 December 2008 $'000	Year ended 31 December 2007 $'000
Fair value loss on reclassified assets that has been recognised in equity	29,777	-
Fair value loss that would have been recognised in equity if the financial asset had not been reclassified	146,525	-
Total gain in respect of reclassified assets recognised in profit or loss	33,930	-

The effective interest rate used in determining the amortised cost is 13.9%.

22 Deferred income tax

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior reporting period:

Deferred tax assets and liabilities

	Unrealised gains on investments $'000	Depreciation in advance of capital allowances $'000	US subsidiary insurance transaction timing differences and losses $'000	Total $'000
At 1 January 2007	-	1,154	-	1,154
Expense to equity	(1,030)	-		(1,030)
(Expense)/credit to the income statement		(132)	1,030	898
Exchange differences		12		12
At 1 January 2008	(1,030)	1,034	1,030	1,034
Credited to equity	1,030	-		1,030

Expense to the income statement		(126)	(1,030)	(1,156)
Exchange differences		(255)		(255)
As at 31 December 2008	-	653	-	653

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	As at 31 December 2008 $'000	As at 31 December 2007 $'000
Deferred tax assets	653	1,034
Deferred tax liabilities	-	-
	653	1,034

At the balance sheet date the Group has unrecognised deferred tax assets of $64.7 million (31 December 2007: $66.5 million) in respect of tax losses carried forward. The assets have not been recognised due to the unpredictability of future profit streams.

At the balance sheet date, the Group has unused tax losses of $273.2 million (31 December 2007: $266.7 million) available for offset against future profits. Of the losses at 31 December 2008 $68.1 million (31 December 2007: $62.6 million) relate to the US, $147.4 million (31 December 2007: $151.0 million) relate to the UK and $57.7 million (31 December 2007: $53.1 million) relate to Switzerland.

US losses expire as follows: $8.3 million in 2026, $40.5 million in 2027 and $19.3 million in 2028.

UK losses have no expiry date.

Swiss losses expire as follows: $53.9 million in 2011 and $3.8 million in 2015.

The deferred tax assets as at 31 December 2008 and as at 31 December 2007 are non-current assets.
The deferred tax liabilities as at 31 December 2008 and as at 31 December 2007 are non-current liabilities.

The deferred income tax credited/(expensed) to equity during the year is as follows:

	Year ended 31 December 2008 $'000	Year ended 31 December 2007 $'000
Revaluation reserve[1]	1,030	(1,030)
Hedging and translation reserve[2]	-	-
	1,030	(1,030)

[1] The revaluation reserve is a component of shareholders' equity that is used to record the difference between the market value of available for sale investments carried on the balance sheet and the amortised cost of those assets. Unrealised gains and losses arising when the market value is compared with the amortised cost of the assets are taken to this reserve.

[2] Movements in the unrealised gains and losses arising from the translation of the Group's assets and liabilities denominated in functional currencies of the Group are shown in the hedging and translation reserve. The hedging and translation reserve is a component of shareholders' equity.

23 Cash and cash equivalents

Cash and cash equivalents are comprised of the following:

	As at 31 December 2008 $'000	As at 31 December 2007 $'000
Cash at bank and in hand	**31,106**	31,589
Short-term deposits with credit institutions	**86,554**	122,664
Total cash and cash equivalents	**117,660**	154,253

Cash and cash equivalents yielded an effective rate of interest of 2.6% in 2008 (2007: 4.3%).

24 Insurance and reinsurance contracts

Insurance and reinsurance contracts are comprised of the following:

	As at 31 December 2008 $'000	As at 31 December 2007 $'000
Gross claims outstanding		
Provision for claims outstanding, reported and not reported	**1,240,270**	1,605,617
Discount	**(48,725)**	(67,541)
	1,191,545	1,538,076
Claims handling provisions	**9,641**	11,815
Total insurance contracts	**1,201,186**	1,549,891
Aggregate excess reinsurance		
Provision for claims outstanding, reported and not reported	-	41,162
Discount	-	-
Net aggregate excess reinsurance	-	41,162
Other reinsurance		
Provision for claims outstanding, reported and not reported	**425,502**	508,651
Discount	**(2,177)**	(3,012)
Net other reinsurance	**423,325**	505,639
Total reinsurers' share of claims outstanding		
Provision for claims outstanding, reported and not reported	**425,502**	549,813
Discount	**(2,177)**	(3,012)
Total reinsurance contracts	**423,325**	546,801
Undiscounted claims outstanding, net of reinsurance	**824,409**	1,067,619
Discount	**(46,548)**	(64,529)
Claims outstanding net of reinsurance	**777,861**	1,003,090

	As at 31 December 2008	As at 31 December 2007

Security held for aggregate excess reinsurance	$'000	$'000
Deposits received from reinsurers	-	41,162
Trust fund and LOC collateral available against aggregate excess contracts	-	-
Total collateral available against aggregate excess reinsurance recoverable	-	41,162

	As at 31 December 2008 $'000	As at 31 December 2007 $'000
Current assets	**37,334**	72,669
Non-current assets	**385,991**	474,132
Total reinsurance contracts	**423,325**	546,801

Current liabilities	**228,600**	424,653
Non-current liabilities	**972,586**	1,125,238
Total insurance contracts	**1,201,186**	1,549,891

Basis for establishing provision for claims outstanding

Loss reserves for reinsurance business are established based on claims data reported to the Group by ceding companies supplemented with relevant industry benchmark loss development patterns used to project the ultimate incurred loss. Ultimate incurred loss indications are calculated by the Group's actuaries using several standard actuarial methodologies including paid and incurred loss development and the Bornhuetter-Ferguson incurred and paid loss methods.

The Group's actuaries utilise several assumptions in applying each methodology, including loss development factors, expected loss ratios based on pricing analysis, and actual reported claim frequency and severity. These reviews and documentation are completed in accordance with professional actuarial standards appropriate to the jurisdictions where the business is written. The selected assumptions reflect the actuaries' judgement based on historical data and experience combined with information concerning current underwriting, economic, judicial, regulatory and other influences on ultimate claim settlements.

Based on the actuarial indications, the Group selects and records a single point estimate separately for each line of business for each underwriting year. The single point reserve estimate is management's best estimate which the Group considers to be one that has an equal likelihood of developing a redundancy or deficiency as the loss experience matures. On a quarterly basis the Group analyses and records its loss reserve estimates across over 400 detailed lines of business which reflect class of business, geographic location, insurance versus reinsurance, proportional versus non-proportional, and treaty versus facultative exposures. In addition, a limited number of the Group's largest contracts are reviewed individually.

During the loss settlement period, additional facts regarding claims are reported. As this occurs it may be necessary to increase or decrease the unpaid losses and loss expense reserves. The actual final liability may be significantly different to prior estimates. The Group reviews additional reported claim information on a monthly basis. Actual claim experience is compared to that expected from the most recent actuarial reserve review to highlight significant variances. A complete actuarial analysis by detailed line of business including selection of single point estimates is completed semi-annually and is reviewed by the Group's management.

Underwriting year table

	1999 and prior $'000	2000 $'000	2001 $'000	2002 $'000	2003 $'000	2004 $'000	2005 $'000	Total $'000
Gross Estimate of cumulative claims:								
At end of underwriting year	3,022,313	367,605	386,762	590,359	821,724	1,092,870	630,215	
One year later	4,564,137	452,324	396,996	612,137	816,546	990,260	610,599	
Two years later	4,710,816	485,269	417,049	611,228	794,346	883,970	616,375	
Three years later	4,755,187	507,747	441,839	654,210	786,147	874,949	**629,467**	
Four years later	4,828,948	539,694	440,855	660,908	790,476	**856,061**		
Five years later	4,874,927	550,212	459,255	655,037	**763,564**			
Six years later	4,883,595	563,532	467,672	**652,421**				
Seven years later	4,893,658	560,023	**468,770**					
Eight years later	4,874,618	**560,844**						
Nine years later	**4,858,150**							
Estimate of cumulative claims as at 31 December 2008	**4,858,150**	**560,844**	**468,770**	**652,421**	**763,564**	**856,061**	**629,467**	**8,789,277**
Cumulative payments at 31 December 2008	(4,660,066)	(494,088)	(410,052)	(583,166)	(633,463)	(671,708)	(445,453)	(7,897,996)
	198,084	**66,756**	**58,718**	**69,255**	**130,101**	**184,353**	**184,014**	**891,281**
Unearned element of reserves at 31 December 2008	-	-	-	-	-	-	-	-
Earned non-life reserves before effect of discounting as at 31 December 2008	**198,084**	**66,756**	**58,718**	**69,255**	**130,101**	**184,353**	**184,014**	**891,281**
Life and finite reserves as at 31 December 2008								**348,989**
Claims handling provisions as at 31 December 2008								**9,641**
Present value of reserves before discount recognised in the balance sheet as at 31 December 2008								**1,249,911**

Underwriting year table (continued)

	1999 and prior $'000	2000 $'000	2001 $'000	2002 $'000	2003 $'000	2004 $'000	2005 $'000	Total $'000
Reinsurance recoverable								
Estimate of cumulative claims:								
At end of underwriting year	557,558	87,617	140,151	176,731	165,184	177,565	144,472	
One year later	1,544,260	163,700	173,153	196,084	184,701	145,792	132,953	
Two years later	1,662,449	156,068	177,605	211,944	190,173	137,365	128,042	
Three years later	1,646,776	149,374	152,152	212,974	182,641	147,960	**129,399**	
Four years later	1,660,199	136,623	146,574	199,845	173,223	**134,717**		
Five years later	1,684,626	130,220	157,163	181,349	**167,985**			
Six years later	1,667,762	130,984	157,466	**183,557**				
Seven years later	1,669,539	128,163	**157,615**					
Eight years later	1,652,959	**129,583**						
Nine years later	**1,646,197**							
Estimate of cumulative recoveries at 31 December 2008	**1,646,197**	**129,583**	**157,615**	**183,557**	**167,985**	**134,717**	**129,399**	**2,549,053**
Cumulative recoveries received at 31 December 2008	(1,581,022)	(111,944)	(148,665)	(176,013)	(146,344)	(107,514)	(112,238)	(2,383,740)
	65,175	**17,639**	**8,950**	**7,544**	**21,641**	**27,203**	**17,161**	**165,313**
Unearned element of reinsurance recoverable at 31 December 2008	-	-	-	-	-	-	-	-
Earned net non-life reinsurance recoverable before effect of discounting as at 31 December 2008	**65,175**	**17,639**	**8,950**	**7,544**	**21,641**	**27,203**	**17,161**	**165,313**
Life and finite reinsurance recoverable as at 31 December 2008								**260,189**
Present value of reinsurance recoverable before discount recognised in the balance sheet as at 31 December 2008								**425,502**

Underwriting year table (continued)

	1999 and prior $'000	2000 $'000	2001 $'000	2002 $'000	2003 $'000	2004 $'000	2005 $'000	Total $'000
Net								
Estimate of cumulative claims:								
At end of underwriting year	2,464,755	279,988	246,611	413,628	656,540	915,305	485,743	

One year later	3,019,877	288,624	223,843	416,053	631,845	844,468	477,646	
Two years later	3,048,367	329,201	239,444	399,284	604,173	746,605	488,333	
Three years later	3,108,411	358,373	289,687	441,236	603,506	726,989	**500,068**	
Four years later	3,168,749	403,071	294,281	461,063	617,253	**721,344**		
Five years later	3,190,301	419,992	302,092	473,688	**595,579**			
Six years later	3,215,833	432,548	310,206	**468,864**				
Seven years later	3,224,119	431,860	**311,155**					
Eight years later	3,221,659	**431,261**						
Nine years later	**3,211,953**							
Estimate of net cumulative claims at 31 December 2008	**3,211,953**	**431,261**	**311,155**	**468,864**	**595,579**	**721,344**	**500,068**	**6,240,224**
Net cumulative payments at 31 December 2008	(3,079,044)	(382,144)	(261,387)	(407,153)	(487,119)	(564,194)	(333,215)	(5,514,256)
	132,909	**49,117**	**49,768**	**61,711**	**108,460**	**157,150**	**166,853**	**725,968**
Unearned element of reserves at 31 December 2008	-	-	-	-	-	-	-	-
Earned net non-life reserves before effect of discounting as at 31 December 2008	**132,909**	**49,117**	**49,768**	**61,711**	**108,460**	**157,150**	**166,853**	**725,968**
Net life and finite reserves as at 31 December 2008								**88,800**
Claims handling provisions as at 31 December 2008								**9,641**
Present value of net reserves before discount recognised in the balance sheet as at 31 December 2008								**824,409**

(1) In June 2000 the Group added a UK insurance and reinsurance license through the acquisition of The Imperial Fire And Marine Company Limited ('Imperial') (now called Alea London Limited). In acquiring this entity, the Group assumed insurance and reinsurance liabilities relating to 1999 and prior underwriting years written by Imperial. This explains the significant increase in cumulative claims in respect of 1999 and prior underwriting years that occurs in the table above between 31 December 1999 and 31 December 2000. The increase in gross cumulative claims in respect of 1999 and prior as a result of the acquisition was $1,620.2 million and the increase in ceded cumulative claims was $897.7 million.

(2) The underwriting year development table above includes all cumulative claims in respect of underwriting years 1987 to 2005. It also includes 1986 and prior underwriting year claims paid in calendar years 1999 to 2006, and the reserves in respect of 1986 and prior at each balance sheet date from 1999 to 2006.

(3) The insurance and reinsurance claims outstanding carried in the balance sheet of the Group include gross and ceded amounts in respect of Canadian structured settlement life business. The gross and ceded amounts match exactly, to leave no net liability. As these balances relate to life business they are excluded from the underwriting year development table. Consequently, in order to achieve reconciliation to the balance sheet gross and ceded claims outstanding, they are added back in the table above. The amount as at 31 December 2008 was $260.2 million (2007: $277.1 million).

(4) In the year ended 31 December 2008, the estimate of gross cumulative claims has been favourably impacted by $51.1 million in respect of foreign currency gains and commutation savings and the estimate of net cumulative claims has been favourably impacted by $41.6 million in respect of foreign currency gains and commutation savings.

25 Borrowings

The borrowings are repayable as follows:	**As at 31 December 2008 $'000**	**As at 31 December 2007 $'000**
On demand or within one year	-	-
In the second year	-	30,000
In the third to fifth years inclusive	-	-
After five years	**120,000**	120,000
Total borrowings	**120,000**	150,000
Less: Capitalised debt raising expenses	**(2,133)**	(2,215)

Total borrowings net of capitalised expenses	**117,867**	147,785

Analysis of borrowings:

	As at 31 December 2008 $'000	As at 31 December 2007 $'000
Amounts owed to credit institutions	-	30,000
Trust preferred securities	**120,000**	120,000
Total borrowings	**120,000**	150,000

All borrowings are recorded at fair value. The directors consider the carrying values disclosed above to be a reasonable approximation of the fair value at the year end.

Conditions attaching to amounts owed to credit institutions as at 1 January 2007
The three-year bank term loan of $200.0 million (of which $150.0 million had been drawn down) and the $50.0 million revolver carried an interest margin of 120 basis points, which was adjustable based upon the Standard and Poor's debt ratings for Alea. The $50.0 million revolver facility was additionally subject to a commitment fee of 40% of the applicable margin.

These borrowings fell due for repayment in September 2007. On 19 April 2007, the Group repaid $25.0 million of the term loan and all of $50.0 million revolver using its cash reserves, leaving an outstanding amount of $125.0 million as at 30 June 2007. This outstanding amount was repaid using the $90.0 million term loan detailed below along with $35.0 million of cash reserves.

Conditions attaching to the term loan agreed 6 July 2007
The Group drew down the maximum aggregate commitment under this new term loan agreement of $90.0 million. This was due for repayment in three equal instalments of $30.0 million on 16 October 2007, 14 January 2008 and 18 July 2009. However, the Group made an optional prepayment of $60.0 million on 18 July 2007. The remaining loan of $30.0 million was repaid on 14 January 2008. It carried an interest margin of 200 basis points over LIBOR.

Trust preferred securities
In December 2004, the Group issued $100.0 million of trust preferred securities and had in place a commitment for an additional $20.0 million of trust preferred securities issued in January 2005. These securities (issued from three Delaware trusts established by Alea Holdings US Company ('AHUSCO'), of which one trust was established in January 2005) provide for a preferred dividend at a rate of three month LIBOR plus 285 basis points. These securities allow for the postponement of preferred dividends under certain circumstances for up to five years. These securities carry no financial covenants and no cross default covenants, have a fixed maturity of 30 years, and are callable after five years. AHUSCO may not optionally redeem the Debentures and thereby retire the trust preferred securities until the interest payment date following the fifth anniversary of issue. The earliest call date is 15 March 2010 for the first issue and 15 June 2010 for the second and third issues. The holders of the Debentures may not call the Debentures prior to their maturity dates.

26 Provisions

	Restructuring Provision $'000
At 1 January 2007	5,241
Utilisation of provision due to onerous contracts	(2,448)
Utilisation of provision due to severance payments	(426)
Severance participation received due to sale of renewal rights	310
Exchange difference	160

At 31 December 2007	2,837
Utilisation of provision due to onerous contracts	(271)
Utilisation of provision due to severance payments	(923)
Additional restructuring provision established[1]	1,120
Exchange difference	45
At 31 December 2008	**2,808**

[1] As a result of the outsourcing arrangement entered into in the year, an additional provision has been established to reflect contractual obligations made in respect of staff retention bonuses and severance payments.

For further details regarding the restructuring costs see note 6.

At 31 December 2008	
Current liabilities	**2,197**
Non-current liabilities	**611**
	2,808

At 31 December 2007	
Current liabilities	1,955
Non-current liabilities	882
	2,837

27 Other liabilities and charges

	Deferred reinsurance commission $'000	**Other accruals and deferred income [1] $'000**	**Total $'000**
At 1 January 2007	2,846	38,108	40,954
Change in the period	(1,405)	(6,550)	(7,955)
Exchange difference	-	236	236
At 31 December 2007	1,441	31,794	33,235
Change in the period	(575)	(10,344)	(10,919)
Exchange difference	-	(508)	(508)
At 31 December 2008	**866**	**20,942**	**21,808**

[1] Includes regulatory levies of $5.1 million for Alea US (2007: $4.7 million).

At 31 December 2008	
Current liabilities	**15,350**
Non-current liabilities	**6,458**
	21,808

At 31 December 2007	
Current liabilities	29,119
Non-current liabilities	4,116
	33,235

28 Trade and other payables

	As at 31 December 2008 $'000	As at 31 December 2007 $'000
Insurance balance payable	**4,543**	9,340
Reinsurance balance payable	**64,041**	105,220
Deposits received from reinsurers	**24,697**	33,530
Reserves withheld creditors	**859**	42,048
Liabilities from reinsurance operations not transferring significant risk	**278**	230
Other taxes and social securities	**807**	1,373
Total trade and other payables	**95,225**	191,741
Current liabilities	**25,830**	65,707
Non-current liabilities	**69,395**	126,034
	95,225	191,741

29 Consolidated statement of changes in equity

Attributable to equity holders of the Company

	Share capital	Share premium	:apital reserve	Revaluation reserve [1]	Hedging and translation reserves [2]	Retained earnings	Share-based yment reserve	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
As at 1 January 2008	1,738	629,668	75,381	(10,385)	13,925	(283,154)	866	428,039
Profit for the period						3,939		3,939
Revaluation on available for sale investments - gross				(21,224)				(21,224)
Revaluation on available for sale investments - tax				1,030				1,030
Movement in share-based payment reserve							345	345
Translation loss					(6,037)			(6,037)
As at 31 December 2008	1,738	629,668	75,381	(30,579)	7,888	(279,215)	1,211	406,092

Attributable to equity holders of the Company

Share capital	Share premium	Capital reserve	Revaluation reserve [1]	Hedging and translation reserves [2]	Retained earnings	Share- based payment reserve	Total

	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
As at 1 January 2007	1,738	629,668	75,381	(23,697)	5,305	(204,974)	720	484,141
Loss for the period						(78,180)		(78,180)
Revaluation on available for sale investments - gross				14,342				14,342
Revaluation on available for sale investments - tax				(1,030)				(1,030)
Movement in share-based payment reserve							146	146
Translation gains					8,620			8,620
As at 31 December 2007	1,738	629,668	75,381	(10,385)	13,925	(283,154)	866	428,039

1 The revaluation reserve is a component of shareholders' equity that is used to record the difference between the market value of available for sale investments carried on the balance sheet and the amortised cost. In addition it includes an unrealised loss which arose as a result of the decision to reclassify the portfolio of non-agency US mortgage-backed securities into the loans and receivables category and carry them at amortised cost. The unrealised loss in respect of these assets is the difference between the market value and amortised cost as at 1 July 2008 and this loss is being amortised through the income statement using the effective interest method from the date of reclassification.

2 Movements in the unrealised gains and losses arising from the translation of the Group's assets and liabilities denominated in functional currencies of the Group are shown in the hedging and translation reserve.

30 Share capital

	As at 31 December 2008		As at 31 December 2007	
	Number '000s	$'000	Number '000s	$'000
Authorised:				
Common shares of $0.01	**1,000,000**	**10,000**	1,000,000	10,000
Total authorised	**1,000,000**	**10,000**	1,000,000	10,000
Allotted, called up and fully paid:				
Common shares of $0.01	**173,769**	**1,738**	173,788	1,738
Total allotted, called up share capital and fully paid	**173,769**	**1,738**	173,788	1,738

31 Stock options and restricted shares

Bermuda Plan

Alea Group Holdings AG (a former Group company which was merged with Alea Europe Ltd in 2005) had in place a stock purchase and option plan for key employees and advisors known as the 1998 Amended and Restated Stock Option Plan for Key Employees and Subsidiaries (the "Swiss Plan"). The Company adopted a 2002 Stock Purchase and Option Plan for Key Employees of the Company and its Subsidiaries, as amended (the "Bermuda Plan"), in connection with the re-domiciling of the ultimate parent company of the Group to Bermuda and all awards under the Swiss Plan are now governed by the terms of the Bermuda Plan. The terms of the Bermuda Plan are substantially similar to the terms of the Swiss Plan. All Alea Group Holdings AG non-voting participation shares and options were exchanged for common shares and options in connection with an equity exchange offer that was completed on 3 April 2002. In total, 15,000,000 common shares are authorised for use under the Bermuda Plan.

The exercise price of the options will be the fair market value of the common shares on the grant date. Generally, the options vest rateably over a five-year period except in the case of performance options where vesting is affected by attainment of certain pre-approved financial targets. The exercisability of the options accelerates upon a change of control of the Group. Options expire and are no longer exercisable on the tenth anniversary or in certain circumstances at the end of the three month period following such tenth anniversary of the grant date. The expiration of the options can accelerate due to termination of employment. Certain options granted contain shortened expiration and vesting periods.

The terms of the Company's common shares and the exercise price of the options to acquire company common shares on the purchase/grant date were determined by the Remuneration Committee in accordance with the terms of the Bermuda Plan. The Bermuda Plan was terminated as to future grants with effect from 19 November 2003.

Executive Plan
The Company's shareholders have adopted the Alea Executive Option and Stock Plan and the Alea Sharesave Plan ("Executive Plan"). The Executive Plan provides for the grant of time and performance options, restricted stock units and share savings for employees. The exercise price of options granted shall not be less than the middle market quotation for the Company's shares on the dealing day preceding the date of grant. The number of common shares granted in any period under all of the Company's employee share schemes (excluding shares issuable on exercise of options granted prior to 19 November 2003) may not exceed 10% of the Company's issued ordinary share capital. Generally, the vesting period of an option granted under the Executive Plan is subject to the discretion of the Board (or a committee thereof) provided that vesting for certain tax qualified options may not be earlier than 3 years or more than 10 years after the date of grant and unless any relevant performance conditions have been satisfied.

Other
The company has issued to Fisher Capital Corp. LLC certain options to acquire common shares, which are fully vested and are exercisable within 15 years of the date of grant. These shares and options were not granted pursuant to either Plan.

Transactions involving common share options are disclosed in note 32.

32 Share-based payments

Equity-settled share option plan
The Group plans provide for a grant price equal to the average quoted market price of the Group shares on the date of grant. The vesting period is generally 5 years. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are typically contractually forfeited if the employee leaves the Group subject to certain exercise periods that apply to vested options and to certain options granted in 2005 pursuant to the Executive Plan.

	Year ended 31 December 2008		Year ended 31 December 2007	
	Number of options	**Weighted average exercise price in $**	**Number of options**	**Weighted average exercise price in $**
Options outstanding at beginning of year	**3,023,734**	**3.62**	4,688,676	3.68
Options granted during the year	-	-	-	-
Options forfeited during the year	**(313,254)**	**3.16**	(1,664,942)	3.78
Options exercised during the year	-	-	-	-
Options which expired during the year	-	-	-	-

Options outstanding at end of year	**2,710,480**	**3.39**	3,023,734	3.62
Options exercisable at end of year	**2,686,480**	**3.39**	2,509,850	3.56

No options were exercised during the year. The options outstanding at 31 December 2008 had a weighted average exercise price of $3.39 (2007: $3.62), and the weighted average remaining contractual lives of those options are as follows.

				Year ended 31 December 2008						**Year ended 31 December 2007**
	Range of exercise prices			**Weighted Average Remaining Contractual Life**	**Number of share options outstanding**	**Range of exercise prices**			**Weighted Average Remaining Contractual Life**	**Number of share options outstanding**
Options outstanding at end of year divided into meaningful ranges										
Share options issued in respect of Alea Group Holdings AG after repricing	$3.22	to	$3.22	0.27	12,600	$3.22	to	$3.22	0.97	60,880
Alea Group Holdings (Bermuda) Limited options granted pre - IPO	$3.22	to	$4.30	2.06	2,229,880	$3.22	to	$4.30	3.09	2,266,844
Alea Group Holdings (Bermuda) Limited options granted post - IPO	$3.21	to	$4.31	5.80	468,000	$3.21	to	$4.31	6.81	696,010
All options	$3.21	to	$4.31	2.70	2,710,480	$3.21	to	$4.31	3.91	3,023,734

No options were granted during the twelve months ended 31 December 2008 (2007: No options granted).

The Group recognised the following total expenses and repurchases in respect of equity-settled share-based payment transactions:

	Year ended 31 December 2008	**Year ended 31 December 2007**
	'000	**'000**
Total expense recognised for the year arising from share-based payment transactions	**(125)**	187
RSU expense charged in year	**470**	(41)
Cash repurchases of vested options held by leavers	**-**	-
	345	146

33 Cash used in operations

	Year ended 31 December 2008	**Year ended 31 December 2007**
	$'000	**$'000**

Profit/(loss) for the year	3,939	(78,180)
Adjustments for:		
- tax expense	2,239	100
- depreciation	1,774	2,534
- impairment loss recognised in respect of financial assets	2,563	-
Net cash flows for the period transferred to investing activities	(45,276)	(55,380)
Loss/(profit) on sale of property, plant and equipment	11	(16)
Debt interest expense	7,511	18,184
Profit on foreign exchange	(7,668)	(4,388)
Change in operating assets and liabilities (excluding the effect of acquisitions and exchange differences on consolidation)		
Net decrease in insurance liabilities	(394,302)	(444,459)
Net decrease in reinsurance assets	143,649	332,392
Net decrease in loans and receivables	72,235	179,495
Net decrease in other operating liabilities	(105,429)	(191,192)
Net movement in share-based payment reserve	345	146
Cash used in operations	**(318,409)**	(240,764)

34 Contingent liabilities

Structured settlements
The Group, through the Canadian branch of Alea Europe Ltd, has assumed ownership of certain structured settlements and has purchased annuities from life assurers to provide fixed and recurring payments to those underlying claimants. As a result of these arrangements, the Group is exposed to a credit risk to the extent that any of these insurers are unable to meet their obligations under the structured settlements. This risk is viewed by the Directors as being remote as the annuities are fully funded and the Group has only purchased annuities from Canadian insurers with a financial stability of AA or higher (Standard & Poor's). The Canadian branch is in run-off and the branch discontinued accepting assignments of annuities in August 2001.

In the event of all the relevant life insurers being unable to meet their obligations under the structured settlements, at 31 December 2008, the total exposure, net of amounts that may be recoverable from the Compensation Corporation of Canada (a Canadian industry-backed compensation scheme), is estimated to be $47.5 million Canadian Dollars ($47.9 million) and the maximum in relation to any one insurer $25.4 million Canadian Dollars ($25.6 million).

Subpoenas and requests for information/regulatory matters
In connection with a periodic market conduct examination, the California Department of Insurance has disputed certain fees collected from policyholders by two agents of one of the Group's subsidiaries. The Group disagrees with the Department's position, but is cooperating to audit these fee arrangements. The agreements with the agents involved have been terminated. It is not possible to predict the impact of this dispute on the Group's financial results.

Company contingent liabilities
In 2002 the Company entered into a top down guarantee with each of the Group's rated insurance operating entities. These guarantees were in addition to the pre-existing guarantees already in place between certain subsidiaries of the Group. Subject to applicable corporate and regulatory requirements, the top down guarantees required that the Company make funds available to the insurance operating entities to allow the entities to fulfil their insurance or reinsurance obligations to the client/customer incurred while the guarantee remained in effect. The Group terminated all top down and other intra-Group guarantees effective 30 November 2006.

Legion Companies in Liquidation

Alea Europe is in dispute with Legion Insurance Company (in liquidation) and Villanova Insurance Company (in liquidation) regarding the terms of an aggregate excess reinsurance reinsurance treaty that was automatically commuted on July 31 2006 in accordance with an agreed formula. Legion and Villanova have sought to draw a letter of credit in the amount of $6,818,480 in connection with their claim that amounts remain due under this treaty. Alea Europe sued Legion and Villanova in Connecticut District Court and obtained a temporary restraining order preventing Legion and Villanova from drawing the letter of credit. Based upon an agreement to arbitrate the matter, Alea Europe has withdrawn the litigation on condition that Legion not draw the letter of credit for sums relating to the aggregate excess reinsurance treaty until a final arbitration decision on the matter has been rendered. Alea Europe intends to vigorously pursue its interests in this matter.

35 Exposure to specific credit risk

Exposure to Lumbermens

In connection with the Group's acquisition of the Equus Re reinsurance division of Lumbermens on 3 December 1999, Alea (Bermuda) Ltd and Lumbermens entered into a 100% quota share reinsurance of the Lumbermens business written by Equus Re through 3 December 1999 (namely, business written by Equus Re prior to the Group's acquisition of the Equus Re operations). Lumbermens, in turn, provides stop loss reinsurance to Alea (Bermuda) Ltd for losses in excess of a 75% paid loss ratio on the same business incepting prior to 1 October 1999 (the "Protected Business"). In addition to the Protected Business, the parties agreed that the Group would write new and renewal business on behalf of Lumbermens (as the reinsurer) up to 31 December 2001, which business is ceded by a 100% quota share reinsurance to Alea (Bermuda) Ltd (the "Fronted Business"). Concurrent with these arrangements, Lumbermens retained Alea North America Company ("ANAC") as its agent to adjust and pay claims and collect premiums for both the Protected Business and the Fronted Business.

The respective obligations of Alea (Bermuda) Ltd and Lumbermens noted above are subject to contractual mutual offset provisions under the reinsurance agreements and as permitted under Illinois law. Further, in respect of the Protected Business, Lumbermens is contractually required to fund losses on its own behalf once the 75% paid loss ratio is met. The Group's balance sheet therefore, records (i) no net balance due from Lumbermens under the Protected Business, as the 75% paid loss ratio was met in late December 2003 (specifically, $64.35 million due to and from Lumbermens), and (ii) as at 31 December 2008, an aggregate balance due to Lumbermens under the Fronted Business and in respect of business written by Equus Re between 1 October 1999 and 3 December 1999 of $37.4 million (2007: $39.2 million), after taking credit for amounts treated as paid for accounting purposes.

As is required for credit for reinsurance purposes when cessions are made to non-US licensed reinsurers, Alea (Bermuda) Ltd must collateralise its obligations to Lumbermens. Pursuant to contract, the amount of posted collateral is required to equal 120% of the estimated loss reserves, which based on the above year-end balance due from Alea (Bermuda) Ltd would be approximately $44.9 million (2007: $47.0 million).

Alea (Bermuda) Ltd and Lumbermens continue to disagree over the level of reserves requiring collateralisation. However, following commutations completed in 2008 with Lumbermens with respect to certain ceding companies and a further release of collateral at the request by Alea (Bermuda) Ltd, on 31 December 2008, the market value of the posted collateral was $79.8 million (31 December 2007 $99.4 million). Either party may require an independent actuarial estimate of applicable reserves to resolve their differences with regard to the required collateral calculation. Neither party has required another independent reserve estimate since the last independent reserve estimate dated as of 30 September 2004.

Lumbermens risk based capital level allows the Illinois Department of Insurance to assume control of Lumbermens at its discretion. The mutual obligations of Alea (Bermuda) Ltd and Lumbermens described above are subject to contractual mutual offset provisions under the agreements and as permitted under Illinois law. Accordingly, having taken legal advice, the Group believes that the Group should not be exposed to material credit risk resulting from these arrangements with Lumbermens. However, no assurance can be given that a court would uphold these mutual offset provisions and contractual rights.

36 Related party transactions

Kohlberg Kravis Roberts & Co., L.P./Fisher Capital Corp. L.L.C.

At 30 June 2007, certain parties related to Kohlberg Kravis Roberts & Co., L.P. owned in excess of 40% of the Company's issued shares. In connection with that ownership, the Company had in place certain relationship, management rights, shareholder and advisory fee agreements, as amended with Kohlberg Kravis Roberts & Co., L.P., KKR 1996 Fund (Overseas), Limited Partnership, KKR Partners (International), Limited Partnership and Fisher Capital Corp. L.L.C. These agreements were further described in the Company's Listing Particulars dated 14 November 2003 and provided for annual advisory fees of $750,000 payable to Kohlberg Kravis Roberts & Co., L.P., an affiliate of KKR 1996 Fund (Overseas), Limited Partnership, a shareholder and KKR Partners (International), Limited Partnership, also a shareholder and $350,000 payable to Fisher Capital Corp. L.L.C., also a shareholder. In connection with negotiations pertaining to acquisition of control of the Company by FIN Acquisition Limited, Kohlberg Kravis Roberts & Co., L.P. and Fisher Capital Corp. LLC agreed to waive payment of these fees for the period commencing 1 April 2007. These agreements were terminated effective 5 July 2007 in connection with the acquisition of control of the Company by FIN Acquisition Limited. In 2008 Kohlberg Kravis Roberts & Co., L.P. and Fisher Capital Corp. LLC received $nil under these agreements (2007:$187,500 and $87,500 in advisory fees, respectively). As at 31 December 2008 the balance due under these arrangements was $nil (31 December 2007: $nil). Certain of the Company's former Directors held interests in these entities as described in the Directors' Report included within the Annual Report 2006.

Fortress Investment Group LLC
At 31 December 2008, certain funds managed by affiliates of Fortress Investment Group LLC ("Fortress") owned 72.41% of the Company's issued shares. Effective 1 October 2007 the Company put in place an advisory fee agreement with FIG LLC, a Fortress affiliate ("FIG"), under which the Company has agreed to pay FIG $1 million per year, payable quarterly in arrears, for advisory services. At 31 December 2008, FIG had received $1 million. As at 31 December 2008 the balance due under these arrangements was $nil. The Fortress Directors' beneficial interests in common shares of the Company as at 31 December 2008 were as follows:

Name of Director	Number of common shares
Robert I Kauffman[1]	125,826,832
Randal A Nardone[1]	125,826,832

1 Robert Kauffman and Randal Nardone are members of the Joint Investment Committee formed pursuant to the terms of a Joint Investment Committee Agreement ("JICA") by and among FIG Corp., Fortress Investment Group LLC (the direct parent of FIG Corp.), Fortress Operating Entity I LP, Fortress Operating Entity II LP, Messrs Kauffman, Nardone, Peter L. Briger Jr., Wesley R. Edens and Michael R. Novogratz. Under the terms of the JICA, each other party to the Joint Investment Committee Agreement has delegated all power to control, to direct or to cause the direction of the management and policies of the Company to Messrs Kauffman, Nardone and Edens. As suchMessrsKauffman and Nardone are interested in the 125,826,832 common shares owned by FIN Acquisition Limited, an indirect wholly-owned subsidiary of certain funds managed by affiliates of Fortress.

In connection with services involving potential acquisition opportunities in the property and casualty insurance sector that may be performed by Mark Cloutier, this executive director of the Company entered into a consultancy agreement effective 1 October 2007 with Fortress Capital Finance III (A) LLC, a Fortress affiliate, whereby he would be paid $2,000 per day spent on such activities plus a discretionary bonus. At 31 December 2008, $Nil had been paid or accrued under this arrangement.

Investment Management
Fortress Fund IV Advisor LLC ("FFIVA"), a Fortress affiliate, provides investment management services to the Company and certain of its subsidiaries pursuant to investment management agreements. FFIVA is paid a flat service fee of 11 basis points per annum on the total asset market value of the assets under management, payable quarterly in arrears. At 31 December 2008, FFIVA had approximately $58.1 million (market value) in assets under management and $89,250 had been accrued for these services and $nil had been paid.

Loans to officers
Loans to officers were offered in connection with their purchase of Company shares and are interest bearing, full recourse and made on consistent terms as those to other employees.

As at 31 December 2008 the Group had received repayment of all loans made to key management personnel and had loans to key management personnel, in aggregate principal amounts of $nil (31 December 2007: $nil). The number of key management personnel that had outstanding loans at 31 December 2008 was $nil (31

December 2007: nil). Key management personnel are as described below.

Appleby
Timothy C Faries, a Director of the Company until 5 July 2007, is a partner and the Insurance Team Practice Leader at Appleby, Barristers & Attorneys, in Bermuda. In 2007, from 1 January to 5 July the Company paid $81,866 (2006: $49,338 from 1 January to 31 December) in respect of fees for legal and corporate administrative services provided by Appleby. Mr Faries resigned as a director on 5 July 2007.

As at 31 December 2008 the amount outstanding to Appleby was $16,199 (31 December 2007: $nil).

Key management personnel
The Group considers its key management personnel to include its Directors and those members of management reporting directly to its Executive Directors that have executive management responsibility for Group-wide operations.

Remuneration of key management personnel
The remuneration of the Directors and those members of management reporting directly to its Executive Directors that have executive management responsibility for Group-wide operations, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. For the period ended 31 December 2008 this included 8 individuals (2007: 14).

	Year ended 31 December 2008 $	**Year ended 31 December 2007 $**
Short-term employee benefits	**3,040,840**	6,512,367
Post-employment benefits	**116,372**	62,250
Other long-term benefits	**nil**	nil
Termination benefits	**278,925**	127,244
Share-based payment	**nil**	nil
Total	**3,436,137**	6,701,861

Key management personnel employment and retention contracts
Members of the Group have entered into employment and retention contracts with Executive Directors and/or certain members of key management, in each case taking into account the practices in the jurisdiction where the Group operates. Compensation and termination benefits in the table above include amounts paid or accrued in 2007 and 2008 with respect to Executive Directors and certain members of key management under such contracts, to the extent not reported in earlier periods.

Share and loan transactions with members of key management (information as at 31 December 2008)

Thomas Weidman

Mr Weidman was granted a $99,999 loan in connection with the share purchase program, bearing interest at 3.7665% and repayable in instalments of 20% each 31 August commencing in 2006. The Board approved a deferral of principal and interest on Mr Weidman's loan in 2006. Mr Weidman fully repaid the principal balance of his loan plus accrued interest in July 2007 with the proceeds of the sale of his shares of the Company. In accordance with the terms of his restricted stock unit award, Mr Weidman was issued 6,543 shares on 21 September 2006. In connection with his separation arrangements, on 31 March 2007, Mr Weidman forfeited his remaining 19,629 restricted stock units.

Mark Cloutier

Mr Cloutier was awarded 140,647 restricted stock units on 19 June 2008. These restricted stock units were awarded pursuant to Part C of the Alea Group Executive Option and Stock Plan. The restricted stock units were priced in accordance with the terms of the Plan. The Restricted Stock Units vested 33% on 31 December 2008; 33% more will vest on 31 December 2009 and the remainder will vest on

31 December 2010 and are not subject to financial performance requirements.

Kirk Lusk

Mr Lusk was granted a $49,998 loan in connection with the common share purchase program, bearing interest at 4.1625% and repayable in instalments of 20% each 31 August, commencing in 2005. The Board approved a deferral of principal repayment on Mr Lusk's loan in 2005. In October 2006, Mr Lusk paid the 2006 principal instalment of $10,000 on this loanplus accrued interest of $2,118 through the instalment payment date. In September 2007, Mr Lusk repaid the full principal balance of his loan and accrued interest with the proceeds of the tender of his shares to FIN Acquisition Limited.

Carl Speck

Mr Speck received an advance in the amount of $8,000 from a subsidiary of the Company in payment of advance rental due to his landlord in the United States as a result of his relocation to the United States at the Company's request. This amount was repaid in 2008. In addition the Company has paid a rental deposit of $16,000 on behalf of Mr Speck that is due back at the end of the lease. The rental deposit was paid under a residential lease between Mr Speck and his landlord that was co-signed by a subsidiary of the Company.

Mr Speck was awarded 140,647 restricted stock units on 19 June 2008. These restricted stock units were awarded pursuant to Part C of the Alea Group Executive Option and Stock Plan. The restricted stock units were priced in accordance with the terms of the Plan. The Restricted Stock Units vested 33% on 31 December 2008; 33% more will vest on 31 December 2009 and the remainder will vest on 31 December 2010 and are not subject to financial performance requirements.

George Judd

Mr Juddwas awarded 140,647 restricted stock units on 19 June 2008. These restricted stock units were awarded pursuant to Part C of the Alea Group Executive Option and Stock Plan. The restricted stock units were priced in accordance with the terms of the Plan. The Restricted Stock Units vested 33% on 31 December 2008; 33% will vest on 31 December 2009 and the remainder will vest on 31 December 2010 and are not subject to financial performance requirements.

37 Retirement benefit scheme

Defined contribution schemes
The employees of the Group are covered by defined contribution schemes the costs of which are charged to the income statement when incurred. The total cost of retirement benefits for the Group in the year ended 31 December 2008 was $1.3 million (31 December 2007: $1.6 million).

38 Operating leases

At the following balance sheet dates, the Group was committed to paying total future minimum lease payments under non-cancellable operating leases in each of the following periods:

		Year ended 31 December 2008			Year ended 31 December 2007	
	Land and buildings $'000	**Other $'000**	**Total $'000**	**Land and buildings $'000**	**Other $'000**	**Total $'000**
- within one year	**2,477**	**40**	**2,517**	2,883	52	2,935
- between two and five years	**3,304**	**35**	**3,339**	5,758	2	5,760

- over five years	-	-	-	-	-	-
	5,781	**75**	**5,856**	8,641	54	8,695

The total of future minimum sublease payments expected to be received under non-cancellable subleases at 31 December 2008 was $2.7 million (31 December 2007: $3.6 million).

The gross amount incurred under operating leases during the period ended 31 December 2008 was $3.5 million (31 December 2007: $5.2 million) before deducting income receivable from subleases of $1.0 million (31 December 2007: $1.0 million).

39 Events after the balance sheet date

Non-agency US mortgage-backed option ARM securities held in Group portfolios with a book value of $170.1 million were downgraded by Moody's in February 2009, in some cases directly from Aaa to Ca. Standard & Poor's continues to maintain $164.4 million of these investments with investment grade ratings, in most cases at AAA, subject to negative credit watch. In addition, a majority of the Group's holdings of non-agency US mortgage-backed subprime securities have been placed on negative credit watch by these two rating agencies. While the Group has the current intention and the ability to continue to hold its portfolio of non-agency US mortgage-backed securities, a substantial portion of these securities are pledged as collateral and are subject to minimum rating and valuation requirements.

These collateral mechanism requirements have varying thresholds regarding the ratings of the pledged securities. In addition, these collateral mechanisms require Group companies to maintain collateral with a market value at least equal to the secured liabilities.

As of the date of this statement, deterioration in ratings and valuations of the Group's non-agency US mortgage-backed securities have not required any change in the Group's buy and hold strategy, but further deterioration in ratings or valuations could require that a significant amount of the assets currently pledged as collateral be replaced or supplemented with other qualifying assets

The Group believes it currently has the financial flexibility to address this without having to liquidate holdings of non-agency US mortgage-backed securities. At year end 2008, the Group had available $288.4 million of unpledged other liquid investments by jurisdiction as follows: United States: $86.3 million; United Kingdom: $114.2 million; Switzerland: $24.9 million; Bermuda: $63.0 million of which $28.0 million was in cash and cash equivalents immediately available to the Company. Transfers of these assets between jurisdictions may, however, be subject to tax and regulatory constraints. An additional $12.5 million is available to the Company through a newly existing inter-company loan facility.

Valuations of non-agency US mortgage-backed securities have been very volatile and if sales of non-agency US mortgage-backed securities assets are required to obtain other qualifying assets, the Group would reduce net assets in the amount of the shortfall between the sale price and the book value on an amortised cost basis. As of 28 February 2009 the book value of the non-agency US mortgage-backed securities was $165.1 million higher than the market value provided by the Group's pricing service, Interactive Data Corporation.

For further clarification purposes, the Group provides the following tables-note that SVO 1 is equivalent to Standard and Poor's/Moody's AAA/Aaa to A-/A3; SVO 2 is equivalent to Standard and Poor's/Moody's BBB+/Baa1 to BBB-/Baa3; SVO 3 is equivalent to Standard and Poor's/Moody's BB+/Ba1 to BB-/Ba3; SVO 4 is equivalent to Standard and Poor's/Moody's B+/B1 to B-/ B3, SVO 5 is equivalent to Standard and Poor's/Moody's CCC+/Caa1 to CCC-/Caa3; and SVO 6 is equivalent to Standard and Poor's/Moody's CC/Ca to D/C.

As of 28 February 2009

Moody's SVO equivalent	**S&P SVO equivalent**	**Amortised**

Rating	Rating	%	Cost	Market Value
Subprime				
SVO1-2	SVO1-2	44.2%	$176.1	$123.7
NR	SVO1-2	3.7%	$14.7	$7.0
SVO1-2	SVO3-4	1.0%	$3.8	$2.3
SVO3-4	SVO1-2	8.4%	$33.3	$23.2
Total Subprime		**57.3%**	**$227.9**	**$156.2**
Option ARM				
SVO1-2	SVO1-2	3.2%	$12.8	$5.0
SVO3-4	SVO1-2	14.9%	$59.2	$30.5
SVO5-6	SVO1-2	23.2%	$92.4	$38.2
SVO5-6	SVO3-4	1.4%	$5.7	$3.0
Total Option ARM		**42.7%**	**$170.1**	**$76.7**
Total MBS		**100.0%**	**$398.0**	**$232.9**

[1] SVO1-2 reflects investment grade. SVO3 and lower is below investment grade.

40 Group subsidiaries

The consolidated financial information presents the financial record of the Group for the years ended 31 December 2008 and 31 December 2007. A list of all investments in Group subsidiaries, including the name and country of incorporation is given below. All companies listed are wholly owned subsidiaries of the Group and are fully consolidated into the Group accounts.

The ultimate parent company of the Group is Alea Group Holdings (Bermuda) Ltd.

Details of the Company's subsidiaries at 31 December 2008 are as follows:

Name of subsidiary	Place of incorporation (or registration) and operation	Proportion of ownership interest in %	Proportion of voting power held in %
Alea Europe Ltd	Switzerland	100	100
Alea (Bermuda) Ltd	Bermuda	100	100
Alea Holdings US Company	USA	100	100
Alea North America Insurance Company	USA	100	100
Alea North America Company	USA	100	100
Alea Holdings UK Limited	England and Wales	100	100
Alea London Limited	England and Wales	100	100
Alea Services UK Limited	England and Wales	100	100
Alea Services AG	Switzerland	100	100
AHUSCO Statutory Trust I	USA	100	100
AHUSCO Statutory Trust II	USA	100	100
AHUSCO Statutory Trust III	USA	100	100
Alea Syndicate Management Limited	England and Wales	100	100
Alea Corporate Member Limited	England and Wales	100	100

SHAREHOLDER INFORMATION

Forward Looking Statements

Certain statements made in this report that are not based on current or historical facts are forward-looking in nature including, without limitation, statements containing the words 'believes,' 'anticipates,' 'plans,' 'projects,' 'intends,' 'expects,' 'estimates,' 'predicts,' 'targets' and words of similar import. All statements other than statements of historical facts including, without limitation, those regarding the Group's financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives) are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Group to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. In particular, forecasting of reserves for future losses is based on historical experience and future assumptions. As a result they are inherently subjective and may fluctuate based on actual future experience and changes to current or future trends in the legal, social or economic environment. Forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. These forward-looking statements speak only as at the date of this report or other information concerned. Alea Group Holdings (Bermuda) Ltd expressly disclaims any obligations or undertaking (other than reporting obligations imposed on us in relation to our listing on the London Stock Exchange) to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any changes in the Group's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. References in this paragraph to the Group are to Alea Group Holdings (Bermuda) Ltd and its subsidiaries from time to time.

Registrar

Appleby Services (Bermuda) Ltd., Canon's Court,
22 Victoria Street, Hamilton HM12, Bermuda. T +1 441 295 1443

United Kingdom transfer agent, paying agent and depositary interests registrar

Shareholders based in the United Kingdom who hold share certificates and holders of depositary interests on the CREST system should contact:

Capita Registrars Ltd, The Registry, 34 Beckenham Road, Beckenham,
Kent BR3 4TU, United Kingdom.
T 0871 664 0300 (within the UK - calls cost 10p per minute plus network extras)
or +44 20 8639 3399 (outside the UK)

Alea has appointed Capita Registrars Ltd as a transfer agent in the United Kingdom with the authority to remit transfers to the registrar or the branch registrar in respect of shareholders holding share certificates in the United Kingdom and to act as paying agent for all depositary interest holders and shareholders.

United States transfer agent and branch registrar

Shareholders holding share certificates (other than shareholders based in the United Kingdom) or shares via book entry through our United States Transfer Agent and Branch Registrar should contact:

BNY Mellon Shareowner Services, 480 Washington Boulevard,
Jersey City, New Jersey 07310, United States.
T 1 800 522 6645 (within the US)
or +1 201 329 8660 (outside the US)

Alea has appointed BNY Mellon Shareowner Services (formerly known as Mellon Investor Services LLC) as a branch registrar to manage the shareholder register, ensuring that all information held about Alea's shareholders is kept up to date.

Changes to personal details

As a shareholder or a holder of a depositary interest in CREST, you may be sent information about Alea. If you are a shareholder based in the United Kingdom who holds share certificates, it is important to ensure that Capita Registrars Ltd is kept up to date about any changes to your personal details, such as your name and home address. Holders of depositary interests in CREST should refer to the appropriate CREST procedure to update their details. If you otherwise hold share certificates or shares via book entry through our United States transfer agent and branch registrar, it is important to ensure that BNY Mellon Shareowner Services is kept up to date about any changes to your personal details, such as your name and home address. Further details are given in the frequently asked questions section.

Internet

The annual report and accounts, interim statements and other useful information on the Company are available through the internet at www.aleagroup.com.

Annual General Meeting

We welcome the views of shareholders and hope that you will be able to attend the Company's Annual General Meeting, which will be held at:

Alea Group Holdings (Bermuda) Ltd., Crown House, 3rd Floor, 4 Par-la-Ville Road,
Hamilton HM 08, Bermuda.

at 10:00 am Bermuda time on 18 June 2009. The Notice of the Meeting and the Proxy Form accompany this document. If you are unable to attend the Annual General Meeting to ask a question in person, you may write to us at:

Crown House, 3rd Floor, PO Box HM 2983, 4 Par-la-Ville Road,
Hamilton HM 08, Bermuda

or contact us through our Group website at www.aleagroup.com.

Shareholder Information

For further information about Alea, please contact Mark Cloutier, Group Chief Executive Officer c/o Alea Group Holdings (Bermuda) Ltd., Crown House, 3rd Floor, PO Box HM 2983, 4 Par-la-Ville Road, Hamilton HM 08, Bermuda. T +1 441 296 9150. E mail: mark.cloutier@aleagroup.com.

The Group's share price is shown on the Company's website and on www.londonstockexchange.com.

Registered Office

Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.
T +1 441 295 2244

Registered Number in Bermuda

31408

Worldwide Group Office

Crown House, 3rd Floor, PO Box HM 2983, 4 Par-la-Ville Road,
Hamilton HM 08, Bermuda. T +1 441 296 9150

FREQUENTLY ASKED QUESTIONS

Q: I have recently moved. Who should I tell?

A: If you are a shareholder based in the United Kingdom who holds share certificates, you should notify Capita Registrars Ltd in writing at the address indicated above, remembering to clearly state your old address. Holders of depositary interests in CREST should refer to the appropriate CREST procedure to update their details. If you otherwise hold share certificates or shares via book entry through our United States transfer agent and branch registrar, you should notify BNY Mellon Shareowner Services in writing at the address indicated above, remembering to clearly state your old address. If you hold shares in joint names, the shares will be registered in the name of the person who appears first on your share certificate and the letter must be signed by them.

Q: What do I do if I change my name?
A: To ensure the shares are registered in your new name, you will need to notify Capita Registrars Ltd in writing if you are a shareholder based in the United Kingdom who holds share certificates. Holders of depositary interests in CREST should refer to the appropriate CREST procedure to update their details. You will need to notify BNY Mellon Shareowner Services if you otherwise hold share certificates or shares via book entry through our United States transfer agent and branch registrar. You will also need to enclose evidence of the change, for example, a marriage certificate or change of name deed (please do not send the original), or a certified name change document if you are a company or other entity, together with your share certificates, if applicable, and any uncashed dividend cheques. New documents can then be issued in the correct name.

Q: I receive multiple sets of information whenever you send anything to me. How can I make sure that in the future only one copy is sent?
A: If you have acquired shares on more than one occasion, your shareholdings may have been recorded on the share register with slightly different details. As a result, two or more accounts may have been set up for you. Sometimes we need to maintain more than one account, for example, if you hold shares in your own name and also in joint names with your partner; however sometimes multiple accounts can be amalgamated. Please notify Capita Registrars Ltd or BNY Mellon Shareowner Services, as appropriate, of any accounts you believe should be amalgamated. They will do so if it is possible.

Q: My share certificate has been lost/stolen. What should I do to obtain a replacement?
A: You should immediately inform Capita Registrars Ltd if you are a shareholder based in the United Kingdom, or BNY Mellon Shareowner Services if you are not a shareholder based in the United Kingdom. They will require you to pay an administration charge, and they will send you a form of indemnity. The indemnity is required to protect Alea from the potential misuse of the missing share certificate and must be returned before a new certificate can be issued.

Q: I would like to transfer shares to someone I know. How do I arrange this?
A: As these transactions do not involve a stockbroker, you can use a stock transfer form. You can obtain a form from Capita Registrars Ltd if you are a shareholder based in the United Kingdom who holds share certificates. You can obtain a form from BNY Mellon Shareowner Services if you otherwise hold share certificates or shares via book entry through our United States transfer agent and branch registrar.

Q: My partner/relative has died. What should I do about their shareholding?
A: Contact Capita Registrars Ltd if your partner/relative was a shareholder based in the United Kingdom who held share certificates and they will guide you through what you need to do. Holders of depositary interests in CREST should refer to the appropriate CREST procedure to update their details. Contact BNY Mellon Shareowner Services if your partner/relative otherwise held share certificates or shares via book entry through our United States transfer agent and branch registrar, and they will guide you through what you need to do.

Q: Can I elect to receive any dividend or distribution payment in a currency other than US Dollars?
A: Yes. Shareholders will have the option to receive dividends in US Dollars, British Pounds or Swiss Francs. Shareholders may make currency elections by returning a currency election form to the paying agent, Capita Registrars Ltd. A currency election form can be obtained from Capita Registrars Ltd. If no election is made, shareholders will receive US Dollars. If a shareholder has already submitted a currency election form, future dividend payments will continue be made in accordance with that election unless they submit a new form to Capita Registrars Ltd. The British Pound or Swiss Franc equivalent of any dividend will be calculated by reference to an exchange rate prevailing on a date prior to payment selected by the Company. Dividend cheques will be drawn on a UK bank account.

FINANCIAL CALENDAR

APRIL

30 April 2009*
Announcement of First Interim Management Statement

JUNE

18 June 2009

Annual General Meeting

AUGUST

27 August 2009*
Announcement of results for six months ending 30 June 2009

OCTOBER

30 October 2009*
Announcement of Second Interim Management Statement

MARCH

18 March 2010*
Announcement of results for 2009

* Provisional date

This information is provided by RNS
The company news service from the London Stock Exchange

END

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Close

File No. 82-34885

Regulatory Announcement

Go to market news section

Company	Alea Group Holdings (Bermuda) Ltd
TIDM	ALEA
Headline	Annual Financial Report
Released	07:00 20-Mar-09
Number	1808P07

RNS Number : 1808P
Alea Group Holdings(Bermuda) Ltd
20 March 2009

20 March 2009

Alea Group Holdings (Bermuda) Ltd ("Alea" or the "Company")

Annual Financial Report for Full Year 2008 Results
Posted to Website/Documents Available for Inspection

The Company's Annual Financial Report is now available at the Company's website at www.aleagroup.com.

A copy of the document has been submitted to the UK Listing Authority, and will shortly be available for inspection at the UK Listing Authority's Document Viewing Facility, which is situated at:

The Financial Services Authority
25 The North Colonnade
Canary Wharf
London E14 5HS

Telephone No. +44 (0)20 7066 1000

The printed copies of the Annual Financial Report are expected to be mailed to shareholders on 16 April 2009.

For further information, please contact:

Sheel Sawhney

+1 860 258 6524

Financial Dynamics
Nick Henderson
Robert Bailhache
+44 20 7269 7114

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This information is provided by RNS
The company news service from the London Stock Exchange

END

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Close

Regulatory Announcement

Go to market news section

Company	Alea Group Holdings (Bermuda) Ltd
TIDM	ALEA
Headline	Annual Information Update
Released	07:00 02-Apr-09
Number	7874P07

RNS Number : 7874P
Alea Group Holdings(Bermuda) Ltd
02 April 2009

Alea Group Holdings (Bermuda) Ltd. (the "Company")
Annual Information Update
2 April 2009

In accordance with Section 5.2 of the Prospectus Rules, the Company submits its Annual Information Update which refers to information that has been published or made available to the public by the Company throughout the 12 months ended 2 April 2009.

The information referred to in this update was up to date at the time the information was published but may now be out of date. The information contained in this document appears by way of record, and the Company is under no obligation to update any information referred to herein. Information is referred to in this update rather than included in full.

The announcements listed below that were published on the London Stock Exchange ("LSE") have been made available via a Regulatory Information Service and copies can be obtained from the LSE website at www.londonstockexchange.com/RNS. Copies of the documents listed below that were filed at the United Kingdom Listing Authority ("UKLA") can be obtained from the UKLA, Financial Services Authority, 25 The North Colonnade, Canary Wharf, London E14 5HS, Telephone No. 020 7066 1000.

Place of

Date of Filing	Filing or Publication	Description/Headline
20 Mar 2009	UKLA	Annual Financial Report
20 Mar 2009	LSE	Annual Financial Report
19 Mar 2009	LSE	Full Year Results
02 Feb 2009	LSE	Total Voting Rights
02 Feb 2009	LSE	Director/PDMR Shareholding
16 Dec 2008	LSE	Blocklisting Interim Review
09 Dec 2008	LSE	Block Listing
19 Nov 2008	LSE	Interim Management Statement
28 Aug 2008	LSE	Interim Results
29 July 2008	LSE	Directorate Change
25 June 2008	LSE	Restricted Stock Units
20 June 2008	LSE	Result of AGM
16 June 2008	LSE	Blocklisting Six Monthly Return
19 May 2008	LSE	Interim Management Statement
08 Apr 2008	LSE	Revised Notice of AGM
02 Apr 2008	LSE	Annual Information Update

As a Company incorporated in Bermuda, the Company does not file returns with Companies House in the U.K.

The following documents have been dispatched by the Company to its shareholders during the 12 months ended 2 April 2009. Copies of these documents can be found at the UKLA at the Financial Services Authority, 25 The North Colonnade, Canary Wharf, London E14 5HS, Telephone No. 020 7066 1000, or on the Company's website at www.aleagroup.com:

- Circular dated April 7, 2008 relating to the 2008 Annual General Meeting of Shareholders, including a Revised Notice of AGM and Revised Proxy Form

The Company has filed a number of the above documents and announcements with the Securities and Exchange Commission ("SEC") in accordance with the Company's exemption under Rule 12g3-2(b) of the Securities Exchange Act of 1934 (the "Exchange Act"). Between April 2, 2008 and April 2, 2009, the Company has also filed the following additional documents with the SEC. Copies of these documents can be viewed at the U.S. Securities and Exchange Commission, Division of Corporation Finance, Office of International Corporate Finance, 100 F Street, NE, Washington, DC 20549, Telephone No. (202) 551-6551.

Place of Filing

Date of Filing	or Publication	Description
17 Dec 2008	SEC	Letter transmitting Rule 12g3-2(b) update
01 July 2008	SEC	Letter transmitting Rule 12g3-2(b) update

Further information is available at the Company's website at www.aleagroup.com, or by contacting:

George P. Judd
Group Secretary
Telephone: +1 860 258 7550

Financial Dynamics
Nick Henderson
Robert Bailhache
+44 20 7269 7114

END

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Close

Regulatory Announcement

Go to market news section

Company	Alea Group Holdings (Bermuda) Ltd
TIDM	ALEA
Headline	Annual Financial Report
Released	07:00 16-Apr-09
Number	6260Q07

RNS Number : 6260Q
Alea Group Holdings(Bermuda) Ltd
16 April 2009

16 April 2009

Alea Group Holdings (Bermuda) Ltd ("Alea" or the "Company")

Mailing of 2008 Annual Financial Report/
Documents Available for Inspection

The following documents were mailed to shareholders on 16 April 2009 and have been submitted to the UK Listing Authority, and are now available for inspection at the UK Listing Authority's Document Viewing Facility:

1) Annual Financial Report of Alea Group Holdings (Bermuda) Ltd. for the financial year ended 31 December
2008;
2) Circular containing Notice of Annual General Meeting; and
3) Form of Proxy for Annual General Meeting.

The Document Viewing Facility is situated at:

The Financial Services Authority
25 The North Colonnade
Canary Wharf
London E14 5HS

Telephone No. +44 (0)20 7066 1000

The Annual Financial Report, the Circular Containing Notice of Annual General Meeting and the Form of Proxy are also available at the Company's website, www.aleagroup.com.

For further information, please contact:

Sheel Sawhney
+1 860 258 6524

Financial Dynamics
Nick Henderson
Rob Bailhache
+44 20 7269 7114

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This information is provided by RNS
The company news service from the London Stock Exchange

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Close

2009 Notice of Annual General Meeting
Alea Group Holdings (Bermuda) Ltd.

Alea Group Holdings (Bermuda) Ltd.
(Incorporated and registered in Bermuda under registration number 31408)

Registered Office:
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

16 April 2009

Dear Shareholder,

2009 Annual General Meeting

The Notice of Meeting sets out the business to be transacted at the Annual General Meeting to be held on Thursday, 18 June 2009 at 10 a.m. (Bermuda time) at the offices of the Company at Crown House, 3rd Floor, 4 Par-la-Ville Road, Hamilton HM08 Bermuda. Also enclosed with this letter are the 2008 Annual Financial Report and a proxy card for voting at the Annual General Meeting.

Resolutions 1 to 3 set out in the Notice of Meeting are ordinary business.

Resolution 3 -- Reappointment of Director

Resolution 3 proposes the reappointment of Mark B. Cloutier as Director, who is retiring by rotation in accordance with the Company's Bye-laws. Mark Cloutier is an Executive Director and Group Chief Executive Officer.

Biographical and other details of the director to be re-elected are set out in the Annual Financial Report.

Voting

Shareholders of the Company who are entered on the register of shareholders at 6 p.m. (Bermuda time) on 15 June 2009 are entitled to attend the Annual General Meeting and vote on the resolutions.

Votes may be cast in person at the meeting or by return of the proxy form. If you submit a proxy you will still be entitled to attend the meeting and vote in person if you wish to. A proxy need not be a member.

The proxy card gives members the opportunity to register a vote "withheld". A vote "withheld" is an abstention. It is not a vote in law and will not be counted in the calculation of the proportion of votes "For" and "Against" a resolution.

Proxies may be returned by post or electronically through www.proxyvoting.com/alea as explained in the accompanying notes to this notice and the form of proxy should be received no later than 10 a.m. (Bermuda time) on 16 June 2009 which is 2 p.m. (London time) and 9 a.m. (New York time) on the same date.

Yours faithfully,

Robert Kauffman
Chairman

ALEA GROUP HOLDINGS (BERMUDA) LTD. (the "Company")
NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that an ANNUAL GENERAL MEETING of the Company will be held at the offices of the Company at Crown House, 3rd Floor, 4 Par-la-Ville Road, Hamilton HM08 Bermuda on 18 June 2009 at 10 a.m. (Bermuda time) for the following purposes and to consider and, if thought fit, pass the following resolutions which will be proposed, in the case of resolutions 1 to 3, as ordinary resolutions:

1. To receive the financial statements for the financial year ended 31 December 2008, together with the directors' report and the auditors' report on those statements.

2. To reappoint Deloitte LLP as auditors to hold office from the conclusion of this meeting until the conclusion of the next general meeting of the Company at which accounts are laid and to authorise the directors to fix their remuneration.

3. To reappoint Mark B. Cloutier as director.

By order of the Board

George P. Judd
Group Secretary
Dated 16 April 2009
Registered office:
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

NOTES:

1. A member entitled to attend and vote at the meeting is also entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. The proxy need not be a member of the Company.

2. To be effective, the form of appointment of a proxy must be:

   2.1 in the case of an instrument in writing, delivered to BNY Mellon Shareowner Services at PO Box 3862 S Hackensack NJ 07606-9562 together with any power of attorney or authority under which it is executed (or a notarially certified copy of such power or authority) not less than 48 hours before the time for holding the meeting; or

   2.2 in the case of an appointment of a proxy on the internet, made and received at www.proxyvoting.com/alea not less than 48 hours before the time for holding the meeting.

3. Any electronic communication sent by a shareholder to the Company or the registrar which is found to contain a computer virus will not be accepted.

4. A form of proxy is enclosed with this notice. Completion and return of the form of proxy in writing or on the internet will not preclude shareholders from attending and voting in person at the meeting. A proxy form will be invalid unless it is lodged as specified in note 2.

5. Only those members entered on the register of members of the Company as at 6 p.m. (Bermuda time) on 15 June 2009 shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register of members after 6 p.m. (Bermuda time) on 15 June 2009 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

6. Copies of all directors' service agreements will be available for inspection at the offices of Alea London Limited, 18 Mansell Street, London E1 8AA during normal business hours on any day (Saturday, Sunday and public holidays excepted) and at the place of the meeting 15 minutes prior to and throughout the meeting.

7. The meeting is scheduled to begin at 10 a.m. (Bermuda time) on 18 June 2009, which is 2 p.m. (London time) and 9 a.m. (New York time) on the same date.

File No. 82-34885

ALEA GROUP HOLDINGS (BERMUDA) LTD

ANNUAL GENERAL MEETING – PROXY FORM

Alea

I/We, ________________________________

of________________________________

being (a) member(s) of Alea Group Holdings (Bermuda) Ltd hereby appoint **the Chairman of the meeting** (see note 2)

or________________________________

of________________________________

as my/our proxy to vote in my/our name(s) and on my/our behalf at the Annual General Meeting of the Company to be held on 18 June 2009 and at any adjournment thereof.

PLEASE COMPLETE IN BLOCK CAPITALS.

(Continued on the reverse side)

Address Change/Comments (Mark the corresponding box on the reverse side)

▲ **FOLD AND DETACH HERE** ▲

Notes on completion of the form of proxy:

1. A member entitled to attend and vote at the meeting is also entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. The proxy need not be a member of the Company.

2. A member who does not wish the Chairman of the meeting to be his proxy may appoint a proxy of his own choice by inserting the proxy's name and address on the proxy form in the space provided.

3. If the proxy form is returned without an indication as to how the proxy must vote on a particular matter, the proxy will exercise his discretion as to whether, and if so how, he votes.

4. Please note that the "Withheld" option is provided to enable you to abstain on any particular resolution. A vote "Withheld" is not a vote in law and will not be counted in the proportion of votes "For" and "Against" a resolution.

5. Appointments by a corporation must be under seal or the hand of its duly authorised officer, attorney or other person authorised to sign in writing.

6. In the case of joint holders, the signature of any one holder is sufficient but the vote of the person whose name appears first in the register of members shall be accepted to the exclusion of other joint holders.

7. To be effective, the form of instrument appointing a proxy must be:

7.1 in the case of an instrument in writing, delivered to BNY Mellon Shareowner Services, Attn: Proxy Processing, P.O. Box 3862, South Hackensack, NJ 07606-9562, United States of Amercia, together with any power of attorney or authority under which it is executed (or a notarially certified copy of such power or authority) not less than 48 hours before the time for holding the meeting; or

7.2 in the case of an appointment of a proxy on the Internet, made and received at www.proxyvoting.com/alea not less than 48 hours before the time for holding the meeting.

A proxy form will be invalid unless it is lodged as specified in this note 7.

8. The time of the meeting is 10 a.m. (Bermuda time) on 18 June 2009 which is 2 p.m. (London time) and 9 a.m. (New York time) on the same date.

9. Any alterations made to this proxy form should be initialled.

Before completing this form, please read carefully the notes on the reverse side.

Please Mark Here for Address Change or Comments ☐
SEE REVERSE SIDE

The proxy is to vote in respect of the resolutions mentioned below as follows:
Please mark one box with an "X" for each resolution.

	FOR	AGAINST	WITHHELD
Resolution 1 receive the financial statements	☐	☐	☐
Resolution 2 reappointment and remuneration of auditors	☐	☐	☐
Resolution 3 reappoint Mark B. Cloutier as Director	☐	☐	☐

The proxy may vote as he thinks fit or abstain from voting (i) in respect of the resolutions for which no indication has been given as to how the proxy must vote and (ii) on any other business or resolution (including amendments to resolutions) which may properly come before the meeting or any adjournment of it.

Signature(s)______________________________ Date ___________

NOTE: Please see notes 5, 6, 7 and 9 on reverse side. Please sign as name appears hereon. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such.

▲ **FOLD AND DETACH HERE** ▲

Appointment of a proxy on the Internet authorizes your proxy to vote your shares in the same manner as if you marked, signed and returned your proxy card.

INTERNET		**MAIL**
http://www.proxyvoting.com/alea Use the Internet to vote your proxy. Have your proxy card in hand when you access the web site.	**OR**	Mark, sign and date your proxy card and return it in the enclosed envelope.

If you appoint a proxy by Internet,
you do NOT need to mail back your proxy card.

INFORMATION REQUIRED TO BE MADE PUBLIC ON AN ON-GOING BASIS

The following is a list which the Company agrees pursuant to Rule 12g3-2(b)(1)(ii) under the Exchange Act to furnish to the SEC on an on-going basis promptly after such information is made or required to be made public. If the information that the Company makes or is required to be made public, files or distributes shall change from that listed below, the Company will promptly following the end of the fiscal year in which such changes have occurred furnish the SEC with a revised list reflecting such changes.

The following information is required to be (i) made public pursuant to the laws of Bermuda; (ii) filed with the Financial Services Authority ("FSA"), in its capacity as the United Kingdom Listing Authority ("UKLA"), or the London Stock Exchange ("LSE") (and is made public thereby); or (iii) distributed to holders of the Company's securities.

References to a Regulatory Information Service refer to the definition in the UKLA Listing Rules. The definition comprises any of the following company news services:

- Business Wire Regulatory Disclosure provided by Business Wire;
- FirstSight provided by Romeike
- Announce provided by Hugin ASA
- News Release Express provided by CCNMatthews UK Limited
- PR Newswire Disclosure provided by PR Newswire; and
- RNS provided by the London Stock Exchange.

Type of Information or Report	Required Date of Release	Source of Requirement
1. Memorandum of Association.	Filed with the Bermuda Registrar of Companies ("Registrar of Companies") on incorporation.	Bermuda Companies Act 1981 ("Companies Act 1981").
2. Amendments to Memorandum of Association.	To the Registrar of Companies: (i) within 30 days if no application is made to the Court within 21 days of the passing of the resolution approving the amendment; or (ii) within 21 days of the passing of the resolution with affidavit sworn by at least two directors stating that the Company does not know of any person who could make	Companies Act 1981.

Type of Information or Report	Required Date of Release	Source of Requirement
	an application to the Court.	
	To the FSA via a Regulatory Information Service without delay but at the latest on the date of calling the general meeting which is to vote on, or be informed of, the amendment.	UKLA Disclosure and Transparency Rules
3. Memorandum of Association and Bye-laws (including alterations to Memorandum or Bye-laws).	To shareholders on request.	Companies Act 1981.
4. Directors' Report, Auditors' Report and Annual Accounts.	To a Regulatory Information Service as soon as possible after they have been approved and, in any event, within 4 months of the Company's fiscal year end.	UKLA Disclosure and Transparency Rules.
	Financial statements, or optionally when the shares of a Company are listed on an appointed exchange, summarized financial statements and auditors' report must be provided to persons entitled to receive notice of general meetings, not less than 5 days before the date of the meeting at which those documents will be considered.	[Companies Act 1981]
	A copy of the summarized financial statements must be available at the Company's registered office.	Companies Act 1981.
	Distribution of financial statements and audit report can be waived if all	

Type of Information or Report	Required Date of Release	Source of Requirement
	shareholders and directors agree.	
5. Half Yearly Report.	To a Regulatory Information Service as soon as possible after Board of Directors approval and within two months of the end of the period to which the statement relates and also either to shareholders or by way of advertisement in a national newspaper within two months of the end of the period to which the statement relates.	UKLA Listing Rules.
6. Interim Management Statement	To a Regulatory Information Service not earlier than ten weeks after beginning and not later than six weeks before the end of the relevant half-year. The Company may elect to satisfy this requirement by publishing a quarterly financial report.	UKLA Disclosure and Transparency Rules.
7. Notices of general meetings and proxy forms.	Notices of meetings must be sent to shareholders 5 days in advance of the meeting.	Companies Act 1981.
8. Notices and circulars concerning the allocation and payment of dividends and the issue of new shares, including information on any arrangements for allotment, subscription, cancellation or conversion.	To the shareholders and simultaneously to the FSA by means of an announcement via a Regulatory Information Service.	UKLA Listing, Disclosure and Transparency Rules.
9. All resolutions passed by the Company other than resolutions concerning ordinary business at an annual	To the UKLA and a Regulatory Information Service as soon as possible	UKLA Listing Rules.

Type of Information or Report	Required Date of Release	Source of Requirement
general meeting.	after the relevant meeting.	
10. Alteration of authorized share capital (or share premium).	A memorandum of increase must be filed with the Bermuda Registrar of Companies within 30 days of the effective date of any increase in the authorized share capital. A notice of reduction must be published in an appointed newspaper not more than 30 days and not less than 15 days before the effective date of any reduction in the share capital. Such notice, and other prescribed documents, must be filed with the Bermuda Registrar of Companies within 30 days of the effective date of reduction. A memorandum must be filed with the Registrar of Companies within 30 days of any change in the currency denomination of the share capital or a cancellation of unissued shares.	Companies Act 1981.
11. Board resolution allotting securities or authorizing the issue of securities to be admitted to trading on the LSE; or	To the LSE no later than 12:00 at least two business days prior to the day on which the Company is requesting the LSE to consider the application for admission to trading.	LSE Admission and Disclosure Standards.
If the resolution is not available, written confirmation from the Company that the securities have been allotted.	To the LSE no later than 7:30 am on the day that admission is expected to become effective.	

Type of Information or Report	Required Date of Release	Source of Requirement
12. Notice of change to the board, including the appointment, removal, retirement or resignation of a director or any change to any important functions or executive responsibilities of a director.	Register of Directors and Officers (contains only Chairman and Deputy Chairman and Secretary) must be made available for public inspection at the Company' s registered office and changes to the register must be made within 14 days of the date of such change.	Companies Act 1981.
13. Notice of change of registered office.	To the Registrar of Companies on occurrence. Change effective upon notice being registered by the Registrar of Companies.	Companies Act 1981.
14. Change in the Company' s name.	Notice of change of name must be provided to shareholders to convene a special general meeting to approve the name change and a certified copy of the resolution approving the name change must be filed with the Registrar of Companies.	Companies Act 1981.
15. Prospectus (public offering of shares).	Prior to offering shares to the public (unless exempted), a copy of a prospectus must be filed with the Registrar of Companies, at or prior to the time of the prospectus or as soon as reasonably practicable thereafter. If there is a continuous offering and material changes to the terms of the offer, supplementary particulars must be published and filed with the Registrar of Companies and a copy must	Companies Act 1981.

Type of Information or Report	Required Date of Release	Source of Requirement
	be provided to every shareholder as soon as reasonably practicable.	
16. Notice of change of location of Register of Members.	To the Registrar of Companies. Change is effective after giving written notice to the Registrar.	Companies Act 1981.
17. Register of Members.	Must be made available for public inspection at the Company's registered office.	Companies Act 1981.
18. Closure of the Register of Members of the Company.	Advertised prior to closure of share register (not to exceed in the whole 30 days in a year).	Companies Act 1981.
19. General disclosures: Any inside information which directly concerns the issuer, which is information that would be likely to be used by a reasonable investor as part of the basis of his investment decisions and would therefore be likely to have a significant effect on the price of the issuer's financial instruments (the "reasonable investor test"). In determining whether information would be likely to have a significant effect on the price of financial instruments, an issuer should be mindful that there is no figure (percentage change or otherwise) that can be set for any issuer when determining what constitutes "a significant effect on the price of the financial instruments" as this will vary from issuer to issuer.	To a Regulatory Information Service as soon as possible.	UKLA Disclosure and Transparency Rules.

Type of Information or Report	Required Date of Release	Source of Requirement
20. Notification of any announcement of the timetable for any proposed action affecting the rights of existing holders of listed securities traded on the LSE (and any amendments to such timetable, including any amendment to the publication details of an announcement) except in respect of specialist securities. A dividend timetable prepared in accordance with the guidelines of the LSE and the Admission and Disclosure Standards need not be notified.	To the LSE in advance of such action (no later than 9:00 on the day before the proposed announcement).	LSE Admission and Disclosure Standards.
21. All circulars, notices, reports, announcements or other documents to which the UKLA Listing Rules apply issued by the Company.	To the UKLA at the same time as they are issued and to Regulatory Information Service as soon as possible.	UKLA Listing Rules.
22. Any proposed alteration to capital structure, including listed debt securities, save that an announcement of a new issue may be delayed whilst a marketing or an underwriting is in the process.	To a Regulatory Information Service as soon as possible (except during marketing or underwriting).	UKLA Listing Rules.
23. Notice if and when the Company becomes aware that the proportion of any class of listed equity shares in the hands of the public has fallen below 25% of the total issued share capital of that class or, where applicable, such lower percentage as the UKLA may have agreed.	To the UKLA without delay.	UKLA Listing Rules.
24. Any change in the rights	To a Regulatory Information	UKLA Disclosure

Type of Information or Report		Required Date of Release	Source of Requirement
	attaching to any class of listed securities or any shares into which listed securities are convertible or derivative securities issued by the Company giving access to the shares of the Company.	Service as soon as possible.	and Transparency Rules
25.	Any redemption of listed securities including details of the number of shares redeemed and the number of shares of that class following redemption.	To a Regulatory Information Service as soon as possible.	UKLA Listing Rules.
26.	Any extension of time granted for the currency of temporary documents of title.	To a Regulatory Information Service as soon as possible.	UKLA Listing Rules.
27.	The results of any new issue of equity securities or preference shares or of a public offering of existing securities or other equity securities.	To a Regulatory Information Service as soon as result is known (except where shares are subject to an underwriting arrangement).	UKLA Listing Rules.
28.	Block Listing Six Monthly Return: the Company must notify the market of the number of securities covered by a relevant Block Listing which have been allotted in the previous six months using the Block Listing Six Monthly Return in the form prescribed by the FSA.	To a Regulatory Information Service every six months.	UKLA Listing Rules
29.	Listing particulars or prospectus and supporting documentation in respect of admission of securities to the Official List of the UKLA.	To the UKLA at least 10 clear business days prior to the intended publication date. To the LSE by no later than 12:00 at least two business	Financial Services and Markets Act 2000; UKLA Prospectus Rules. LSE Admission and Disclosure

Type of Information or Report	Required Date of Release	Source of Requirement
	days prior to the date on which the Company is requesting the LSE to consider the application for listing to trading.	Standards.
30. Prospectus (public offering of shares).	Prior to offering shares to the public (unless exempted); a copy of a prospectus must be filed with the Registrar of Companies. If there is continuous offering and material changes to the terms of the offer, supplementary particulars must be published and filed with the Registrar of Companies and a copy must be provided to every shareholder as soon as reasonably practicable.	Companies Act 1981.
31. Notification of the acquisition or disposal of major shareholdings: Disseminate to the market notification from a shareholder or a person, who is a direct and indirect holder of shares, in respect of an acquisition or disposal of shares resulting in voting rights reaching, exceeding or falling below 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75%.	To the FSA and to a Regulatory Information Service on receipt of a notification as soon as possible and in any event by not later than the end of the seventh trading day following the relevant transaction.	UKLA Disclosure and Transparency Rules.
32. Acquisition or disposal by issuer of shares: Make public the percentage of voting rights attributable to shares it holds as a result of any transaction in which the Company acquires	To a Regulatory Information Service as soon as possible but not later than four trading days following such acquisition or disposal.	UKLA Disclosure and Transparency Rules

Type of Information or Report	Required Date of Release	Source of Requirement
or disposes of its own shares either itself or through a person acting in its name where that percentage reaches, exceeds or falls below the thresholds of 5% or 10% of the voting rights in the Company.		
33. Disclosures by issuers: at the end of each calendar month during which an increase or decrease has occurred, disclose to the public the total number of voting rights and capital in respect of each class of share which the Company issues; and the total number of voting rights attaching to shares which are held by the Company in treasury.	To a Regulatory Information Service as soon as possible.	UKLA Disclosure and Transparency Rules
34. Details of transactions conducted by persons discharging managerial responsibilities and their connected persons in the shares of the Company or derivatives or any other financial instruments relating to the shares.	To a Regulatory Information Service as soon as possible and in any event by no later than the end of the business day following receipt of the information.	UKLA Disclosure and Transparency Rules
35. Certain documents relating to winding-up of the Company.	Must be made available to the public with effect from the date as required in connection with the commencement of the winding-up. The documents required depends upon the type of winding-up: (i) Members' voluntary – notification to the Registrar; (ii) Creditors voluntary – advertise meetings, petitions	Companies Act 1981.

Type of Information or Report		Required Date of Release	Source of Requirement
		available upon request and at the Registrar' s office and winding-up order should be filed with the Registrar; and (iii) Court ordered – petition available upon request and at the Registrar' s office, and winding-up order should be filed with the Registrar. Liquidators must advertise their appointment and advertise for claims.	
36.	Annual Information Update: at least annually prepare a document (an annual information update) that refers to or contains all information that has been published or made available to the public over the previous 12 months in one or more EEA States and in third countries in compliance with its obligations under Community and national laws and rules dealing with the regulation of securities, issuers of securities and securities markets.	To the FSA and via a Regulatory Information Service at least annually.	UKLA Prospectus Rules
37.	General	Shareholders are also entitled to receive whatever documents are prescribed in the Bye-laws for distribution to shareholders, for example, notices of general meetings circulated within the period stipulated in the Bye-laws.	Companies Act 1981