Heritage Insurance Co

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

THE HERITAGE INSURANCE COMPANY TANZANIA LIMITED

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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DIRECTORS, SENIOR MANAGEMENT AND OTHER COMPANY DETAILS FOR THE YEAR ENDED 31 DECEMBER 2011

1 DIRECTORS

The directors of the Company at the date of this report, all of whom have served since 1 January 2011, are shown on page 5.

2 COMPANY SECRETARY

Gemma Moshy
P O Box 78196
Dar es Salaam

3 SENIOR MANAGEMENT

Paul Lewis, FCII, MAP	- Chief Executive Officer
Anil Chopra, MBA, AIII	- Deputy Chief Executive Officer
Ian Baigrie, ACII	- Underwriting Manager
John Kazimoto, B.A, CPA	- Chief Financial Officer
Farai Dogo, FIISA, AIISA, MBA	- Claims Manager

4 INDEPENDENT AUDITORS

PricewaterhouseCoopers
369 Toure Drive, Oyster Bay
P O Box 45 Dar es Salaam,
Tanzania

5 REGISTERED OFFICE

Oyster Bay Office Complex
368 Msasani Road, Oyster Bay
P O Box 7390 Dar es Salaam,
Tanzania

CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

1 INTRODUCTION

I have once again the pleasure of presenting this report. 2011 has been a very challenging year for a number of reasons that are discussed below but the Company continues to enjoy success in the large corporate risks market where it is the market leader and the year has confirmed this status.

2 MARKET CONDITIONS

The global financial crisis continued to affect the economy with reduced foreign direct investments and financial aid. This has limited the number of new projects and the anticipated economic growth. The government has continued with ambitious infrastructure development programmes and agriculture which will see continuing activities in these areas. The world economy is still unstable particularly in Europe and the USA and therefore international funds available for investment are limited. Locally, inflation had a big impact on the cost of doing business for most sectors of the economy and this was also affected by the currency weakening significantly against the US dollar.

Nevertheless, there are opportunities in the retail market segment, particularly for small and medium enterprises where growth opportunities exist. The Company is introducing innovative products that serve these segments of the market.

The Insurance Market in Tanzania is overtraded leading to excessive competition.

3 BUSINESS PERFORMANCE

The Company grew gross written premium by 11% due to focus on the corporate market segment and enjoyed a number of large new account acquisitions. Investment income performed better and registered growth at 47% over the previous year and is attributed to better yielding investments. All other financial indicators have remained strong and have placed the Company in a favourable position to continue playing the leading role in an expanding market.

The profits before and after tax are down due to the impact of losses sustained through other investments. However, at TShs 37 billion in GWP the Company continues to be the market leader in Tanzania and one of the leading pure Property and Casualty insurers in East Africa.

Net written premiums did not grow as rapidly as anticipated but it is hoped that the initiatives identified in the retail market segment will deliver growth in 2012.

4 REINSURANCE

The global reinsurance market was severely affected by a number of large catastrophes at the beginning of 2011, the tsunami in Japan and floods in Australia coming to mind. The softening of the markets that was expected did not materialise and rates on non-proportional reinsurance business remained high.

The Company's reinsurance program has remained stable for the past two years, thereby cementing relationships to its benefit. The panel of reinsurers is of the highest quality ratings and there is full confidence in their security.

We thankfully acknowledge the continuous support received from all our reinsurers, whom we have always regarded as business partners.

5 OPERATIONS

Apart from the floods in Dar es Salaam in December there were no major losses reported in the year and this can be evidenced by a loss ratio of 58%. A combination of underwriting measures and improved claims management have contributed significantly towards achievement of reduced losses and these disciplines will continue to be applied on a constant basis to ensure that controls are in place in the underwriting processes.

The Computer System deployed at the beginning of 2010 is fully operational in both the underwriting and claims processes and finance will be concluded in the coming year. It will enable the business to make better use of the IT platform and achieve cost reductions through better efficiencies and quality management information.

Operating expenses were higher than the bench mark of 10% and areas where cost reduction and savings can be achieved have been identified and the focus will be on reducing the cost base of the business in 2012.

Underwriting profit at TShs 100 million was impacted by a substantial underwriting loss on the medical line of business and measures are in place to improve the performance in this class.

The pre-tax profit of TShs 1.98 billion is 41% down on 2011 and this has reduced the return to shareholders to 14%.

6 INVESTMENTS

Investments continue to be guided by Insurance Regulations and are overseen by the Investment Committee of the Board with the objective of maintaining investments in well secured institutions which deliver the best return and guarantee liquidity in the environment of short term insurance. Investments have continued to be placed in the Tanzania market and for this year delivered a very good return with a growth of 47% compared to the previous year.

The company is well positioned to take advantage of opportunities to be offered by the coming integration of the East African Capital Markets.

7 PROSPECTS FOR 2012

The Company will continue to maintain its position as the premier brand in Tanzania and continues to be the preferred risk carrier to its core market segment.

Initiatives which started in 2011 to serve the uninsured segments of the market, particularly SME business are well underway and we are well positioned to serve these markets.

The outlook for the coming year remains positive and I believe that, having consolidated its market position and its business, the Company will continue to play a major role in maintaining the forward momentum.

8 THANKS AND ACKNOWLEDGEMENT

My thanks go to our clients, be they through brokers or direct insurance buyers, for their support during the past year. We are mindful of the fact that the sole purpose of the business is to support them and their business. We strive to do this as well as we can and welcome your advice on how we can improve.

The Company's employees are ultimately what give Heritage its reputation, and I thank them for their contribution.

I also acknowledge the contribution of the Commissioner of Insurance and his office.

Finally, my thanks go to my fellow Directors for their guidance, their commitment and their enthusiastic support of all of the Company's activities and endeavours.

Y M MANEK - CHAIRMAN

30 March 2012
DATE

THE HERITAGE INSURANCE COMPANY TANZANIA LIMITED

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2011

1 The Directors submit their report together with the audited financial statements for the year ended 31 December 2011, which disclose the state of affairs of The Heritage Insurance Company Tanzania Limited ("the Company").

2 INCORPORATION

The Company is incorporated in Tanzania under the Companies Act as a company limited by liability.

3 VISION

Our vision is to be the obvious and preferred choice of risk partner for buyers, intermediaries and reinsurers, and the point of reference for the Tanzanian insurance industry.

4 MISSION

Our mission is to maintain a viable and sustainable risk transfer enterprise that maximises returns for key stakeholder groups – our shareholders, business partners and staff.

5 PRINCIPAL ACTIVITIES

The Company is registered for general insurance business, which is its principal activity.

6 COMPOSITION OF THE BOARD OF DIRECTORS

The directors of the Company at the date of this report and who have served since 1 January 2011, except where otherwise stated, are:-

Name	Position	Nationality	Age
Yogesh. M. Manek	Chairman	Tanzanian	56
Nanalal. L. Chohan	Director	Tanzanian	63
Jeremiah. G. Kiereini	Director	Kenyan	81
John. H. D. Milne	Director	South African	62
Michael L. du Toit	Director	South African	49
Juma. V. Mwapachu	Director	Tanzanian	69
Stephen Lugalia	Director	Kenyan	53

Alternate directors

Name	Position	Nationality	Age
Vinod. K. Dhall	Alternate to Mr Nanalal. L. Chohan	Indian	61

7 COMPANY LIMITED SECRETARY

The Company's secretary as at 31 December 2011 was Mrs. Gemma Moshy.

8 CORPORATE GOVERNANCE

The Board of Directors consists of 6 directors and 1 alternate director. None of the directors hold executive positions in the Company. The Board takes overall responsibility for the Company, including responsibility for identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters, and reviewing the performance of management business plans and budgets. The Board is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operative, and for compliance with sound corporate governance principles.

The Board is required to meet at least four times a year. The Board delegates the day to day management of the business to the Chief Executive Officer assisted by the Management Team. The Management Team is invited to attend board meetings and facilitate the effective control of the Company's operational activities, acting as a medium of communication and coordination between the various departments.

The Company is committed to the principles of effective corporate governance. The Directors also recognise the importance of integrity, transparency and accountability. During the year the Board had the following Board sub-committees to ensure a high standard of corporate governance throughout the Company.

Board Audit and Risk Committee

No	Name	Position
1	Jeremiah. G. Kiereini	Chairman
2	Vinod. K. Dhall	Member
3	John. H. D. Milne	Member
4	Stephen. Lugalia	Member

Board Investment Committee

No	Name	Position
1	Yogesh. M. Manek	Chairman
2	John. H. D. Milne	Member
3	Vinod. K. Dhall	Member

Board Human Resources and Remuneration Committee

No	Name	Position
1	John. H. D. Milne	Chairman
2	Yogesh. M. Manek	Member

8 CORPORATE GOVERNANCE (CONTINUED)

During the year, 5 board meetings were held. (1 of which was a special meeting). The Board sub-committees held the following number of meetings: Audit and Risk Committee 4; Investment Committee 9; and Human Resources and Remuneration Committee 2 meetings.

9 RISK MANAGEMENT AND INTERNAL CONTROL

The Board accepts final responsibility for the risk management and internal control systems of the Company. It is the task of management to ensure that adequate internal financial and operational control systems are developed and maintained on an ongoing basis in order to provide reasonable assurance regarding:

- The effectiveness and efficiency of operations;
- The safeguarding of the Company's assets;
- Compliance with applicable laws and regulations;
- The reliability of accounting records;
- Business sustainability under normal as well as adverse conditions; and
- Responsible behaviours towards all stakeholders.

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance of such measures by staff. Whilst no system of internal control can provide absolute assurance against misstatement or losses, the Company's system is designed to provide the Board with reasonable assurance that the procedures in place are operating effectively.

The Board assessed the internal control systems throughout the financial year ended 31 December 2011 and is of the opinion that they met accepted criteria.

The Board performs risk and internal control assessment through the Board Audit, Risk and Compliance Committee.

10 CAPITAL STRUCTURE

The Company's capital structure for the year under review is shown in Note 14 to the financial statements.

11 MANAGEMENT TEAM

The Management of the Company is under the Chief Executive Officer, assisted by the following:-

- Deputy Chief Executive Officer;
- Chief Financial Officer;
- Underwriting Manager;
- Claims Manager
- Human Resources Officer and
- System Administration Manager.

12 SHAREHOLDERS OF THE COMPANY

The total number of shareholders during the year 2011 is 2 (2010: 2 shareholders). One director, Mr. Yogesh Manek has an indirect interest of 37.6% through his share holding on MAC Group Tanzania Limited. No other director holds shares of the Company.

The shares of the Company are held as follows:

Name of the Shareholder	2011 number of Shares	2010 number of Shares
Heritage Insurance Company Limited	**24,000**	24,000
Mac Group Tanzania Limited	**16,000**	16,000
	40,000	40,000

13 FUTURE DEVELOPMENT PLANS

The Company will continue to improve its profitability through the introduction of innovative products and focusing on value-added customer services while carefully managing both costs and risks. The Company will continue to focus on improving productivity and introducing new products to the market.

Based on gross premium written in the current year, the Company is the largest private insurance Company in Tanzania. After deducting reinsurance premium, the Company registered net earned premium of TShs 9,392 million (2010: TShs 11,362 million).

The directors believe that the Company is well placed to consolidate its position as a leading Company in the market during the next two to three years.

14 PERFORMANCE FOR THE YEAR

During the year the Company recorded a net profit after tax for the year of TShs 1,521 million (2010: TShs 2,528 million).

The audited financial statements for the year are set out on pages 15 to 62.

15 TRANSFERS TO RESERVE

An amount of TShs 306 million (2010: TShs 506 million), has been transferred from the retained earnings to a contingency reserve, in accordance with Regulation 27 (2) (b) of the Insurance Act 2009.

A further amount of TShs 304 million (2010: TShs 506 million) representing 20% of after tax profits, has been transferred to a capital reserve account as required under section 27(1) (c) of the Insurance Act.

16 DIVIDEND

The directors propose payment of a dividend of TShs 1.7 billion equivalent to TShs 42,500 per share, (2010: TShs 834 million, equivalent to TShs 20,858 per share).

17 RESOURCES

Employees with appropriate skills and experience in running the business are a key resource available to the Company and they assist in pursuing the Company's business objectives.

18 PRINCIPAL RISKS AND UNCERTAINTIES

The principal financial risks that may significantly affect the Company's strategies and development are mainly insurance risk, credit risk, debt and equity market price, foreign currency exchange rate and interest rate risk. More details of the risks facing the Company are provided in Note 3 to the financial statements.

19 SERIOUS PREJUDICIAL MATTERS

In the opinion of the directors, there are no serious prejudicial matters that can affect the Company.

20 SOLVENCY

The Board of directors confirms that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis. The Board of directors has reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

21 EMPLOYEES' WELFARE

Management and employees' relationship

There was continued good relation between employees and management for the year 2011. There were no unresolved complaints received by Management from the employees during the year. A healthy relationship continues to exist between management and staff.

The Company is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind.

Training facilities

During the year the Company spent TShs 28.6 million (2010: TShs 32) for staff training in order to improve employee's technical skills and hence effectiveness. Training programs have been and are continually being developed to ensure employees are adequately trained at all levels. All employees have some form of annual training to upgrade skills and enhance development.

Medical assistance

All members of staff and their spouses up to a maximum number of four beneficiaries (dependants) for each employee were availed medical services by the Company through medical insurance.

21 EMPLOYEES' WELFARE (CONTINUED)

Persons with disabilities

Applications for employment by disabled persons are always considered, bearing in mind the aptitude of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and appropriate training is arranged. It is the policy of the Company that training, career development and promotion of persons with disabilities should, as far as possible, be identical to that of other employees.

Employees benefit plan

The Company pays contributions to publicly administered pension plan on mandatory basis which qualifies to be a defined contribution plan. The number of employees during the year was 45 (2010: 48).

22 GENDER PARITY

The Company had 45 employees, out of which 22 were female and 23 were male (2010: female 24, male 24).

23 RELATED PARTY TRANSACTIONS

All related party transactions and balances are disclosed in note 37 to these financial statements.

24 POLITICAL AND CHARITABLE DONATIONS

The Company did not make any political donations during the year. Donations made to charitable and other organizations during the year amounted to TShs 18.4 million (2010: TShs 14.9 million).

25 RELATIONSHIP WITH STAKEHOLDERS

The Company continued to maintain a good relationship with all stakeholders including the regulators.

26 CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Company encourages its employees' initiatives on participating in the CSR activities. Various activities were carried out during the year including visiting orphanage centres.

27 AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office and are eligible for re-appointment. A resolution proposing an appointment of the Company's auditors for the year ending 31 December 2012 will be put to the Annual General Meeting.

BY ORDER OF THE BOARD

Y M MANEK - CHAIRMAN

30 March 2012
DATE

THE HERITAGE INSURANCE COMPANY TANZANIA LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2011

The Directors are required under the Companies Act, CAP 212 Act No. 12 of 2002, to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the profit or loss of the Company for that period.

The Directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 2011. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act, CAP 212 Act No. 12 of 2002. They are responsible for safeguarding the assets of the Company and, hence, for taking reasonable steps for the prevention and detection of fraud or other irregularities.

No matters have come to the attention of the directors to indicate that the Company will not remain a going concern for at least the ensuing financial year.

Y M MANEK - CHAIRMAN

V K DHALL - DIRECTOR

30 March 2012
DATE

REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF THE HERITAGE INSURANCE COMPANY TANZANIA LIMITED

Report on the financial statements

We have audited the accompanying financial statements of The Heritage Insurance Company Tanzania Limited, which comprise the balance sheet at 31 December 2011, the profit and loss account, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Companies Act, CAP 212 Act No. 12 of 2002 and for such internal control, as the directors determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of the Company's financial affairs at 31 December 2011 and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Companies Act, CAP 212 Act No. 12 of 2002.

REPORT OF THE INDEPENDENT AUDITOR (CONTINUED)
TO THE MEMBERS OF THE HERITAGE INSURANCE COMPANY TANZANIA LIMITED

Report on other legal and regulatory requirements

This report, including the opinion, has been prepared for, and only for, the Company's members as a body in accordance with the Companies Act, CAP 212 Act No. 12 of 2002 and for no other purposes.

As required by the Companies Act, CAP 212 Act No. 12 of 2002, we are also required to report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if the financial statements are not in agreement with the accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed. In respect of the foregoing requirements, we have no matter to report.

PricewaterhouseCoopers
PricewaterhouseCoopers
Certified Public Accountants
Dar es Salaam

30 March 2012.
Date

Signed by: Leonard C Mususa

PROFIT AND LOSS ACCOUNT

	Notes	2011 TShs'000	2010 TShs'000
Insurance premium revenue	5	**31,954,059**	36,105,762
Insurance premium ceded to reinsurers		**(22,562,386)**	(24,743,423)
Net insurance premium revenue		**9,391,673**	11,362,339
Investment income	6	**1,845,104**	1,246,796
Commission earned		**3,163,229**	3,836,293
Other income	8	**339,090**	693,826
Net income		**14,739,096**	17,139,254
Insurance claims	9	**(14,831,967)**	(9,413,673)
Insurance claims recovered from reinsurers		**9,364,291**	2,979,497
Net insurance claims		**(5,467,676)**	(6,434,176)
Operating expenses	10	**(4,731,682)**	(4,835,153)
Finance costs	11	**(11,067)**	(10,000)
Commission expense		**(2,542,976)**	(3,581,752)
Profit from operations		**1,985,696**	2,278,173
Share of (loss)/profit from associates	7	**(11,769)**	1,040,576
Profit before income tax		**1,973,927**	3,318,749
Income tax expense	12	**(453,170)**	(790,474)
Profit for the year		**1,520,757**	2,528,275

STATEMENT OF COMPREHENSIVE INCOME

	Notes	**2011** **TShs'000**	2010 TShs'000
Profit for the year		**1,520,757**	2,528,275
Gain on fair valuation of available for sale financial assets (AFS)	19	**452,304**	72,230
Transfer to profit and loss account of fair value (gain)/ loss on disposal of /impaired AFS		**(271,500)**	151,169
Share of other comprehensive income of an associate	17	**335,700**	78,004
Total comprehensive income for the year		**2,037,261**	2,829,678

THE HERITAGE INSURANCE COMPANY TANZANIA LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

STATEMENT OF COMPREHENSIVE INCOME

THE HERITAGE INSURANCE COMPANY TANZANIA LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

BALANCE SHEET AS AT 31 DECEMBER 2011

	Notes	2011	2010
		TShs'000	TShs'000
ASSETS			
Property and equipment	15	**291,441**	298,157
Intangible assets	16	**269,093**	518,271
Investment in associates	17	**6,631,078**	5,700,451
Advance towards an investment in equity	18	-	2,071,694
Available-for-sale quoted equity investments	19	**1,693,721**	1,585,924
Available-for-sale unquoted investment	20	**442,182**	209,407
Receivables arising out of direct insurance arrangements		**9,790,906**	2,092,179
Receivables arising out of reinsurance arrangements		**2,390,810**	3,730,970
Reinsurers' share of insurance liabilities	21	**27,710,784**	17,074,504
Deferred acquisition cost	22	**1,134,934**	841,896
Deferred income tax	23	**253,614**	254,609
Income tax recoverable		**348,219**	-
Other receivables	24	**361,608**	259,453
Government securities	25	**4,153,395**	1,625,058
Corporate bonds	26	**4,283,448**	3,132,511
Deposits with financial institutions	27	**5,582,549**	6,137,600
Cash and bank balances	28	**1,332,006**	707,366
Total assets		**66,669,788**	46,240,050
EQUITY			
Share capital	14	**4,000,000**	4,000,000
Contingency reserve	14	**3,144,145**	2,838,381
Capital reserve	14	**1,438,929**	1,134,779
Fair value reserve	14	**1,536,844**	1,020,342
Retained earnings	14	**2,386,852**	3,176,007
Proposed dividend	13	**1,700,000**	834,331
Total equity		**14,206,770**	13,003,840
LIABILITIES			
Insurance contract liabilities	29	**23,481,041**	16,735,569
Unearned premiums	30	**16,908,943**	11,545,195
Payables arising from reinsurance arrangements	31	**8,799,632**	2,916,080
Deferred acquisition income	22	**1,464,682**	1,132,710
Bank overdraft		**751,577**	270,546
Income tax payable		-	6,950
Other payables	32	**1,057,143**	629,160
Total liabilities		**52,463,018**	33,236,210
Total equity and liabilities		**66,669,788**	46,240,050

The financial statements on pages 15 to 62 were approved for issue by the board of directors on 30/3/2012 and signed on its behalf by:

Chairman	**Director**	**Chief Executive Officer**
Y M Manek	**V K Dhall**	**P Lewis**

BALANCE SHEET AS AT 31 DECEMBER 2011

THE HERITAGE INSURANCE COMPANY TANZANIA LIMITED

FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 DECEMBER 2011

STATEMENT OF CHANGES IN EQUITY

	Notes	Share Capital TShs'000	Fair value reserve TShs'000	Contingency reserve TShs'000	Capital reserve TShs'000	Retained earnings TShs'000	Proposed dividends TShs'000	Total TShs'000
Year ended 31 December 2011								
At 1 January 2011		4,000,000	1,020,340	2,838,381	1,134,778	3,176,010	834,331	13,003,840
Comprehensive income:								
Profit for the year		-	-	-	-	1,520,757	-	1,520,757
Other comprehensive income:								
Fair value gain	19	-	452,304	-	-	-	-	452,304
Transfer to profit and loss account of fair value gain on disposed AFS		-	(271,500)	-	-	-	-	(271,500)
Share of other comprehensive income of an associate	17	-	335,700	-	-	-	-	335,700
Total comprehensive income		-	516,504	-	-	1,520,757	-	2,037,261
Transfer to contingency reserve		-	-	305,764	-	(305,764)	-	-
Transfer to capital reserve		-	-	-	304,151	(304,151)	-	-
Transactions with owners:								
Final dividend 2010		-	-	-	-	-	(834,331)	(834,331)
Proposed dividend for 2011		-	-	-	-	(1,700,000)	1,700,000	-
Total transactions with owners		-	-	-	-	(2,261,682)	865,669	(834,331)
At 31 December 2011		**4,000,000**	**1,536,844**	**3,144,145**	**1,438,929**	**2,386,852**	**1,700,000**	**14,206,770**

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Notes	Share Capital TShs'000	Fair value reserve TShs'000	Contingency reserve TShs'000	Capital reserve TShs'000	Retained earnings TShs'000	Proposed dividends TShs'000	Total TShs'000
Year ended 31 December 2010								
At 1 January 2010		2,850,000	718,939	2,332,726	1,204,124	2,381,653	686,720	10,174,162
Comprehensive income:								
Profit for the year		-	-	-	-	2,528,275	-	2,528,275
Other comprehensive income:								
Fair value gain	19	-	72,230	-	-	-	-	72,230
Transfer to profit and loss account of fair value loss on impaired AFS		-	151,169	-	-	-	-	151,169
Share of other comprehensive income of an associate	17	-	78,004	-	-	-	-	78,004
Total comprehensive income		-	301,403	-	-	2,528,275	-	2,829,678
Transfer to contingency reserve		-	-	505,655	-	(505,655)	-	-
Transfer to capital reserve		-	-	-	505,655	(505,655)	-	-
Transactions with owners								
Bonus issue		1,150,000	-	-	(575,000)	(575,000)	-	-
Reversal of proposed dividend 2009		-	-	-	-	686,720	(686,720)	-
Proposed dividend for 2010		-	-	-	-	(834,331)	834,331	-
Total transactions with owners		1,150,000			(575,000)	(722,611)	147,611	-
At 31 December 2010		**4,000,000**	**1,020,342**	**2,838,381**	**1,134,779**	**3,176,007**	**834,331**	**13,003,840**

STATEMENT OF CASH FLOWS

	Notes	2011 TShs'000	2010 TShs'000
Cash generated from operations	34	**4,520,190**	2,439,951
Dividend received		**134,586**	112,860
Interest received		**1,322,018**	1,133,936
Tax paid		**(807,344)**	(513,308)
Cash generated from operating activities		**5,169,450**	3,173,439
Cash flows from investing activities			
Purchase of property and equipment	15	**(198,804)**	(138,548)
Purchase of intangible assets	16	**(14,937)**	(777,407)
Proceeds from disposal of equipment		**16,958**	32,603
Purchase of quoted shares		**-**	(300,300)
Purchase of investment in Tan Re		**(232,775)**	(4,284)
Purchase of additional shares in Strategis		**(783,600)**	(58,800)
Advance towards an investment in equity		**-**	(2,071,694)
Purchase of other investments		**(3,483,027)**	(3,344,642)
Proceeds from sale of quoted shares		**450,000**	-
Dividend from associates	17	**176,904**	182,520
Cash utilised in investing activities		**(4,069,281)**	(6,480,552)
Cash flows from financing activities			
Dividends paid		**(834,331)**	-
Cash utilised in financing activities		**(834,331)**	-
Net increase/ (decrease) in cash and cash equivalents		**265,838**	(3,307,113)
Cash and cash equivalents at beginning of the year		**3,468,857**	6,775,970
Cash and cash equivalents at end of the year	28	**3,734,695**	3,468,857

NOTES

1 GENERAL INFORMATION

The Heritage Insurance Company Tanzania Limited is a limited liability company incorporated under the Companies Act and is domiciled in the United Republic of Tanzania. The address of its registered office is:

Oyster Bay Office Complex
368 Msasani Road
P O Box 7390
Dar es Salaam

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRS). The measurement basis applied in the historical cost basis except where otherwise stated in the accounting policies below. The financial statements are presented in Tanzania Shillings (TShs) rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the directors' best knowledge of current events and actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

(i) New and amended standards adopted by the Company

The amendments to existing standards below are relevant to the Company's operations:-

Standard/ interpretation	**Content**	**Applicable for financial years beginning on/after**
IAS 1 Amendment	Presentation of financial statements	1 January 2011
IAS 24	Related party disclosures	1 January 2011
IFRS 7	Financial instruments disclosure	1 January 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

(i) New and amended standards adopted by the Company (Continued)

The amendment to IAS 1, and IAS 24 had no significant impact to the Company's financial statements.

The amendments to IFRS 7, 'Financial Instruments - Disclosures' are part of the 2010 Annual Improvements and emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendments have also removed the requirement to disclose the following;

- Maximum exposure to credit risk if the carrying amount best represents the maximum exposure to credit risk;
- Fair value of collaterals; and
- Renegotiated loans that would otherwise be past due but not impaired.

The application of the above amendment simplified financial risk disclosures made by the Company.

Other amendments and interpretations to standards became mandatory for the year beginning 1 January 2011 but had no significant effect on the Company's financial statements.

(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

Numerous new standards, amendments and interpretations to existing standards have been issued but are not yet effective. Below is the list of new standards that are likely to be relevant to the Company. However, the directors are yet to assess the impact on the Company's operations.

Standard	**Title**	**Applicable for financial years beginning on/after**
IAS 1	Presentation of financial statements	1 July 2012
IFRS 9	Financial instruments	1 January 2015
IFRS 13	Fair value measurement	1 January 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company (continued)

- Amendments to IAS 1, 'Presentation of financial statements

The amendment changes the disclosure of items presented in other comprehensive income (OCI) in the statement of comprehensive income. Entities will be required to separate items presented in other comprehensive income ("OCI") into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled will be presented separately from items that may be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately.

The title used by IAS 1 for the statement of comprehensive income has changed to 'statement of profit or loss and other comprehensive income', though IAS 1 still permits entities to use other titles.

- IFRS 9, 'Financial instruments'

IFRS 9 was issued in November 2009 and October 2010 and replaces those parts of IAS 39 relating to the classification and measurement of financial instruments. It is mandatory for accounting periods beginning on or after 1 January 2015.

IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch. The Company is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on 1 January 2015.

- IFRS 13, 'Fair value measurement'

IFRS 13 is mandatory for accounting periods beginning on or after 1 January 2013. IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across all IFRSs. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. The Company is yet to assess IFRS 13's full impact.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NOTES (CONTINUED)

(a) Basis of preparation (Continued)

(b) Associates

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost.

The Company's share of its associates' post-acquisition profits or losses is recognised in the profit and loss account, and its share of post-acquisition movements in reserves is recognised in reserves. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses unless it has incurred obligations or made payments on behalf of the associate.

(c) Revenue recognition

Premium revenue is recognised on assumption of risks, and includes estimates of premium due but not yet received, less an allowance for cancellations and less unearned premiums. Unearned premiums represent the proportion of the premiums written in periods up to the accounting date which relate to the unexpired terms of policies in force at the balance sheet date, and are calculated using the 1/24th method for all classes other than marine and $1/6^{th}$ method for marine.

Commissions receivable are recognised as income over the period of coverage of the related insurance contract.

A proportion of commission receivable is deferred and recognised over the period in which the related premium is earned. Deferred acquisition income represents the proportion of acquisition income that relates to policies that are in force at the year end, and is recognised over the period in which the related premium is earned.

Investment income is stated net of investment expenses. Investment income is recognised on a time proportion basis that takes into account the effective interest yield on the asset. Dividends are recognised as income in the period in which the right to receive payment is established.

(d) Claims incurred

Claims incurred comprise claims paid in the year and changes in the provision for outstanding claims. Claims paid represent all payments made during the year, whether arising from events during that or earlier years. Outstanding claims represent the estimated ultimate cost of settling all claims arising from incidents occurring prior to the balance sheet date, but not settled at that date. Outstanding claims are computed on the basis of the best information available at the time the records for the year are closed, and include additional provisions for claims incurred but not reported ("IBNR") at the balance sheet date based on the Company's experience but subject to the minimum percentages set by the Commissioner of Insurance. Outstanding claims are not discounted.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Commissions payable and deferred acquisition costs

A proportion of commissions payable is deferred and amortised over the period in which the related premium is earned. Deferred acquisition costs represent the proportion of acquisition costs that relate to policies that are in force at the year end, and is amortised over the period in which the related premium is earned.

(f) Property and equipment

All property and equipment are initially recorded at cost. They are subsequently stated at historical cost less depreciation.

Depreciation is calculated on the straight line basis to write down the cost of each asset to its residual value over its estimated useful life, as follows:

Computer equipment	3 years
Motor vehicles	4 years
Furniture, fittings and equipment	5 years

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

Gains and losses on disposal of property and equipment are determined by reference to their carrying amounts. These are included in the profit and loss amount in other income.The asset's residual values and useful lives are reviewed at each balance sheet date and adjusted if appropriate.

(g) Intangible assets (Computer software)

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years).

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding three years).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Impairment of non-financial assets

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separable identifiable cash flows (cash-generating units).

(i) Financial assets

The Company classifies its financial assets other than investments in associated companies into the following categories: insurance and other receivables, held-to-maturity financial assets and available-for-sale financial assets. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets on initial recognition and re-evaluates this at every reporting date.

Investments with fixed maturity that management has the intent and ability to hold to maturity are classified as held-to-maturity. Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are held with no intention of trading are classified as insurance and other receivables. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale.

All purchases and sales of financial assets are recognised on the trade date, which is the date the Company commits to purchase or sell the asset. The cost of purchase includes transaction costs.

The Company's financial instruments that fall under these three categories are as follows:

(i) Quoted shares – Available-for-sale

These are measured at fair value. Their fair value is calculated by reference to the stock exchange quoted bid prices at the close of business on the balance sheet date.

(ii) Unquoted investments – Available-for-sale

They are shown at fair value unless their value cannot be reliably measured, when they are carried at cost less provision for impairment.

(iii) Government securities and corporate bonds – Held to maturity

These are initially measured at fair value and subsequently measured at amortised cost (i.e. cost plus accrued discount or interest), using the effective yield method.

(iv) Loans and receivables (Fixed deposits, insurance and other receivables)

These are initially measured at fair value and subsequently carried at amortised cost, using the effective interest method, less provision for impairment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Offsetting financial instruments

Financial assets and liabilities are offset and 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 liability simultaneously

(k) Impairment of financial assets

(i) *Assets carried at amortised cost*

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default in principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For premium debtors, impairment is determined using a policy driven by age of the debt and subsequent recovery. For all amounts hat have been outstanding for more than 270 days, a full provision is made. In addition to individual impairment, unidentified impairment is performed on a portfolio basis using historical loss experience from prior years.

For other receivables category, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of financial assets (Continued)

(ii) *Available for sale financial assets*

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment resulting in the recognition of an impairment loss. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the profit and loss account.

(l) Financial liabilities

The Company's holding in financial liabilities represents mainly bank overdrafts. These are initially recognised at fair value and subsequently measured at amortised cost.

(m) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, net of Bank overdraft.

(n) Translation of foreign currencies

Transactions are recorded on initial recognition in Tanzania Shillings, being the currency of the primary economic environment in which the Company operates (the functional currency). Transactions in foreign currencies are converted into Tanzania Shillings 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 profit and loss account.

(o) Accounting for leases

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Employee benefits

(i) Retirement benefit obligations

The Company operates a defined contribution plan for its employees. A defined contribution plan is a plan under which the Company pays fixed contributions into a separate entity. The employees of the Company are members of the National Social Security Fund (NSSF), which is a defined contribution scheme. The Company's contributions to the defined contribution scheme are charged to the profit and loss account in the period to which they relate. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relative to employee service in the current and prior periods.

(ii) Annual leave

The estimated monetary liability for employees' accrued annual leave entitlement at balance sheet date is recognised as an expense accrual.

(q) Income tax

Income tax expense is the aggregate of the charge to the profit and loss account in respect of current income tax and deferred income tax.

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Tanzanian Income Tax Act.

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, if the deferred income tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss, it is not accounted for. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

(r) Contingency and capital reserves

The Contingency reserve is calculated annually as the greater of 3% of net written premium or 20% of the net profit after tax, in accordance with the Insurance Act, Tanzania. This reserve shall accumulate until it reaches the minimum paid up share capital or 50% of the net premiums, whichever is greater.

Capital reserve is calculated at 20% of the after tax profit accumulated on an annual basis in accordance with the Insurance Act, Tanzania.

(s) Dividends

Dividends on ordinary shares are recognised as a liability in the period in which the dividends are approved by the Company's shareholders. Proposed dividends are shown as a separate component of equity until approved by the shareholders.

(t) Comparatives

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

3 MANAGEMENT OF FINANCIAL RISK

The Company's activities expose it to a variety of risks, including insurance and/or financial risk. This section summarises the way the Company manages key risks:

Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques. Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

The following tables disclose the concentration of insurance liabilities by the class of business in which the contract holder operates and by the maximum insured loss limit included in the terms of the policy. The amounts are the carrying amounts of the insurance liabilities in thousand of Tanzania Shillings (gross and net of reinsurance) arising from insurance contracts:

3 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

Concentration of Insurance liabilities by class of business

Year ended 31 December 2011

Class of business		Maximum insured loss TShs 0 m to 50 m TShs'000	TShs 50 m to 500 m TShs'000	TShs 500 m to 5,000,000 m TShs'000	Total TShs'000
Motor	Gross	22,986,054	54,853,203	40,279,222	118,118,479
	Net	18,988,348	14,626,611	15,407,928	49,022,887
Fire	Gross	8,622,275	127,502,121	8,579,893,760	8,716,018,155
	Net	8,957,481	39,016,337	33,394,217	81,368,035
Other	Gross	20,194,924	196,993,666	2,622,941,023	2,840,129,614
	Net	30,254,474	105,971.424	367,592,059	503,817,957
Total	**Gross**	**51,803,253**	**379,348,990**	**11,243,114,005**	**11,674,266,248**
	Net	**58,200,302**	**159,614,372**	**416,394,204**	**634,208,879**

The concentration by class or maximum insured loss at the end of the period is broadly consistent with the prior year.

3 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

Concentration of Insurance liabilities by class of business (Continued)

Year ended 31 December 2010

Class of business		Maximum insured loss: TShs 0 m to 50 m TShs'000	TShs 50 m to 500 m TShs'000	TShs 500 m to 5,000,000 m TShs'000	Total TShs'000
Motor	Gross	28,732,568	68,566,503	50,349,027	147,648,098
	Net	23,156,522	17,837,330	18,790,157	59,784,009
Fire	Gross	8,709,368	128,790,021	8,666,559,353	8,804,058,742
	Net	7,464,567	32,513,614	27,828,514	67,806,695
Other	Gross	19,233,261	187,613,016	2,498,039,070	2,704,885,347
	Net	21,765,808	76,238,435	264,454,719	362,458,962
Total	**Gross**	**56,675,197**	**384,969,540**	**11,214,947,450**	**11,656,592,187**
	Net	**52,386,897**	**126,589,379**	**311,073,390**	**490,049,666**

3 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

Financial risk

The Company is exposed to financial risk through its financial assets and financial liabilities, including insurance assets and insurance liabilities. In particular the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are interest rate risk, equity price risk, currency risk, credit risk and liquidity risk.

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Company primarily faces due to the nature of its investments and liabilities are interest rate risk and equity price risk.

The Company manages these positions within an investment committee and investment policy that has been developed to achieve long-term investment returns in excess of its obligations under insurance contracts. The principal technique of the Company is to match assets to the liabilities arising from insurance contracts by reference to the type of benefits payable to contract holders and the availability of investments within the country.

Credit risk

The Company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Company is exposed to credit risk are:

- receivables arising out of direct insurance arrangements;
- receivables arising out of reinsurance arrangements; and
- reinsurers' share of insurance liabilities.

Other areas where credit risk arises include cash and cash equivalents and deposits with banks and other receivables.

The Company has no significant concentrations of credit risk. The Company structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or group of counterparties. Such risks are subject to an annual or more frequent review. Limits on the level of credit risk by category are approved quarterly by the Board of directors.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a re-insurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

3 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

Credit risk (continued)

The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Company. Management information reported to the Company includes details of provisions for impairment on receivables and subsequent write-offs. Internal audit makes regular reviews to assess the degree of compliance with the Company procedures on credit. Exposures to individual policyholders and groups of policyholders are collected within the ongoing monitoring of the controls associated with regulatory solvency. Where there exists significant exposure to individual policyholders, or homogenous groups of policyholders, a financial analysis equivalent to that conducted for reinsurers is carried out by the Company risk department.

The maximum exposure to credit risk at 31 December 2011 is the carrying value of the financial assets in the balance sheet.

There was no collateral held in respect of the financial assets in the balance sheet.

None of the above assets are past due or impaired except as indicated below:

	Direct insurance arrangements		**Reinsurance arrangements**	
	2011	2010	**2011**	2010
	TShs '000	TShs '000	**TShs '000**	TShs '000
Neither past due nor impaired	**8,757,934**	1,404,690	**-**	786,859
Past due but not impaired	**1,032,973**	687,489	**2,390,810**	2,944,111
Impaired	**1,375,508**	1,293,710	**-**	-
Gross	**11,166,415**	3,385,889	**2,390,810**	3,730,970
Less: Provision for impairment	**1,375,508**	1,293,710	**-**	-
	9,790,906	2,092,179	**2,390,810**	3,730,970

The balances that are neither past due not impaired are due principally from leading brokers with the best credit reputation in the country.

3 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

Credit risk (continued)

Receivables arising out of direct insurance arrangements past due but not impaired:

	2011	2010
	TShs '000	TShs '000
Past due but not impaired:		
- by up to 30 days	**764,889**	466,753
- by 31 to 60 days	**105,707**	89,941
- by 61 to 150 days	**-**	130,795
- by 151 to 360 days	**162,377**	-
Total past due but not impaired	**1,032,973**	687,489

Receivables arising out of re-insurance arrangements past due but not impaired;

	2011	2010
	TShs '000	TShs '000
Past due but not impaired:		
- by up to 30 days	**2,296,926**	917,313
- by 31 to 60 days	**12,144**	287,078
- by 61 to 150 days	**17,124**	923,736
- by 151 to 360 days	**64,616**	815,984
Total past due but not impaired	**2,390,810**	2,944,111

All impaired receivables have been individually assessed:

	Direct insurance arrangements		**Reinsurance arrangements**	
	2011	2010	**2011**	2010
	TShs '000	TShs '000	**TShs '000**	TShs '000
Individually assessed impaired receivables				
- brokers	**1,278,915**	1,224,140	**-**	-
- insurance companies	**-**	-	**-**	-
- direct clients	**96,593**	69,570	**-**	-
	1,375,508	1,293,710	**-**	-

The movement on the impairment provision for impairment of receivables is as follows:

At beginning of period	1,077,477	1,077,477	-	-
Provision for impairment	81,798	216,233	-	-
At end of the year	**1,375,508**	1,293,710	**-**	-

3 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

Market risk

(i) Foreign exchange risk

The Company is exposed to foreign exchange risk arising from various foreign currency transactions, primarily with respect to the US dollar. Foreign exchange risk arises from reinsurance dealings with foreign reinsurance brokers. This risk is significant and has in the past been mitigated through the use of a dollar-denominated account.

At 31 December 2011, if the Tanzanian Shilling had strengthened/weakened by 5% against the US dollar, with all other variables held constant, post tax profit for the year would have been TShs 320 million lower/higher (2010:141 million), mainly as a result of foreign exchange loss/gains on translation of US dollar denominated balances (receivables, payables and cash and bank).

(ii) Price risk

The Company is exposed to price risk because of investments in quoted and unquoted shares classified as available-for-sale. To manage its price risk arising from investments in equity and debt securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with limits set by the Company in the Investment Policy. All quoted securities held by the Company are traded on the Dar es Salaam Stock Exchange (DSE).

An increase or decrease of 10% in the market price would result in the fair value reserve in the statement of changes in equity increasing/decreasing by TShs 169 million (2010: TShs 158 million).

Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities as they fall due and to replace funds when they are withdrawn. The Company is exposed to daily calls on its available cash for claims settlement and other administration expenses. The Company does not maintain cash resources to meet all of these needs but maintains a balanced portfolio of short term and long term investments to suit the Company’s settlement cycle. Large unexpected payments are met out of call deposits placed with various financial institutions at competitive interest rates. Prompt premium collections ensure that the day-to-day liquidity requirements of the Company are adequately met.

3 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

Liquidity risk (Continued)

The table below presents the cash flows payable by the Company under financial liabilities by remaining contractual maturities at the balance sheet date.

31 December 2011	Up to 1 Month TShs'000	1-3 months TShs'000	3-12 months TShs'000	1-5 years TShs'000	Over 5 years TShs'000	Total TShs'000
Liabilities						
Bank overdraft	751,577	-	-	-	-	**751,577**
Insurance contract liabilities	-	-	20,349,815	3,131,227	-	**23,481,042**
Creditors arising from reinsurance arrangements	-	-	8,799,632	-	-	**8,799,632**
Other payables	-	1,057,143	-	-	-	**1,057,143**
Total financial liabilities (contractual maturity dates)	**751,577**	**1,057,143**	**29,149,447**	**3,131,227**	**-**	**34,089,394**
Assets						
Other receivables	-	-	361,608	-	-	**361,608**
Receivables arising out of reinsurance arrangements	-	-	2,390,810	-	-	**2,390,810**
Reinsurers' share of insurance liabilities			12,341,124	2,018,278	-	**14,359,402**
Receivables arising out of direct insurance arrangements	-	-	9,790,906	-	-	**9,790,906**
Government securities held to maturity	-	-	-	452,563	3,700,832	**4,153,395**
Corporate bonds				4,283,448	-	**4,283,448**
Available-for-sale equity investments	-	-	1,693,721	-	-	**1,693,721**
Deposits with financial institutions	-	2,402,689	3,179,860	-	-	**5,582,549**
Cash and bank balances	1,332,006	-	-	-	-	**1,332,006**
Total financial assets (expected maturity dates)	**1,332,006**	**2,402,689**	**29,758,029**	**6,754,289**	**3,700,832**	**43,947,845**
Net liquidity surplus	**580,429**	**1,345,546**	**608,582**	**3,623,062**	**3,700,832**	**9,858,451**

3 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

Liquidity risk (Continued)

The table below presents the cash flows payable by the Company under financial liabilities by remaining contractual maturities at the balance sheet date.

31 December 2010	Up to 1 Month TShs'000	1-3 months TShs'000	3-12 months TShs'000	1-5 years TShs'000	Over 5 years TShs'000	Total TShs'000
Liabilities						
Bank overdraft	270,546	-	-	-	-	**270,546**
Insurance contract liabilities	-	-	12,192,273	4,543,296	-	**16,735,569**
Creditors arising from reinsurance arrangements	-	-	2,916,080	-	-	**2,916,080**
Other payables	-	629,160	-	-	-	**629,160**
Total financial liabilities (contractual maturity dates)	**270,546**	**629,160**	**15,108,353**	**4,543,296**		**20,551,355**
Assets						
Other receivables	-	-	259,453	-	-	**259,453**
Receivables arising out of reinsurance arrangements	-	-	3,730,970	-	-	**3,730,970**
Reinsurers' share of insurance liabilities			4,878,826	3,407,591	-	**8,286,417**
Receivables arising out of direct insurance arrangements	-	-	2,092,179	-	-	**2,092,179**
Government securities held to maturity	-	-	1,447,633	-	177,425	**1,625,058**
Corporate bond				2,590,075	542,436	**3,132,511**
Available-for-sale equity investments	-	-	1,585,924	-	-	**1,585,924**
Deposits with financial institutions	-	2,761,490	3,376,110	-	-	**6,137,600**
Cash and bank balances	707,366	-	-	-	-	**707,366**
Total financial assets (expected maturity dates)	**707,366**	**2,761,490**	**17,371,095**	**5,997,666**	**719,861**	**27,557,478**
Net liquidity surplus	**436,820**	**2,132,330**	**2,262,742**	**1,454,370**	**719,861**	**7,006,123**

3 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

Capital management

The Company's objectives when managing capital, which is a broader concept than the 'equity' on the balance sheet, are:

- to comply with the capital requirements as set out in the Insurance Act 2009;
- to comply with regulatory solvency requirements as set out in the Insurance Act; This is constantly monitored to ensure the Company's ability to meet all its obligations as they fall due is not compromised.
- to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk.

The Insurance Act requires each insurance company to hold the minimum level of paid up capital as follows;

- General insurance business companies TShs 1,000 million

As at period end, the Company had a share capital of 40,000 fully paid up shares totalling TShs 4,000 million. This is in excess of the minimum requirement.

Solvency

General insurance businesses are required to keep a solvency margin i.e. admitted assets less admitted liabilities equivalent to the higher of TShs 550 million or 20% of the net written premium.

During the period the Company held more than the minimum paid up capital required as well as met the required solvency margins. The following table gives a descriptive analysis of the solvency margin as at 31 December 2011:

3 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

Solvency margin as at 31 December 2011	TShs' 000	Short term Business TShs' 000
Total admitted assets		29,099,282
Total admitted liabilities		23,617,301
a) Net Written Premium preceding year	10,775,366	
b) Net Written Premium current period	10,192,126	
Add: the greater of 550 million or 20% of net written premium		2,155,073
Total liabilities and minimum requirement		25,772,374
Excess admitted assets		3,326,908

Solvency margin as at 31 December 2010

	TShs' 000	Short term Business TShs' 000
Total admitted assets		18,419,192
Total admitted liabilities		15,319,810
a) Net Written Premium preceding year	9,552,972	
b) Net Written Premium current period	10,775,366	
Add: the greater of 450 million or 20% of net written premium		2,155,073
Total liabilities and minimum requirement		17,474,883
Solvency margin		944,309

3 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

Fair value of financial assets and liabilities

Financial instruments not measured at fair value

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Company's balance sheet at their fair values (amounts in TShs '000):

	Carrying values		Fair value	
	2011	2010	**2011**	2010
Financial assets				
Available for sale unquoted investments	**442,182**	209,407	**442,182**	209,407
Receivables arising out of direct insurance arrangements	**9,790,906**	2,092,179	**9,790,906**	2,092,179
Receivables arising out of reinsurance arrangements	**2,390,810**	3,730,970	**2,390,810**	3,730,970
Government securities	**4,153,395**	1,625,058	**3,721,131**	1,758,676
Corporate bonds	**4,283,448**	3,132,511	**4,071,459**	3,121,905
Deposits with financial institutions	**5,582,549**	6,137,600	**5,582,549**	6,137,600
Financial liabilities				
Insurance contract liabilities	**23,481,041**	16,735,569	**23,481,041**	16,735,569
Unearned premiums	**16,908,943**	11,545,195	**16,908,943**	11,545,195
Payables arising from reinsurance arrangements	**8,799,632**	2,916,080	**8,799,632**	2,916,080
Bank overdraft	**751,577**	270,546	**751,577**	270,546
Other payables	**1,057,143**	629,160	**1,057,143**	629,160

Investment securities

The fair value for held-to-maturity financial assets is based on market prices. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

Investment securities (available for sale) disclosed in the table above comprise only those equity securities held at cost less impairment. The fair value for these assets is based on estimations using market prices and earning multiples of quoted securities with similar characteristics. All other available for sale assets are already measured and carried at fair value.

3 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

Fair value of financial assets and liabilities (Continued)

Financial instruments not measured at fair value

Deposits with financial institutions

The estimated fair value of deposits with no stated maturity, which comprise non-interest-bearing deposits, is the amount receivable on demand.

The estimated fair value of fixed interest-bearing deposits not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

Financial instruments measured at fair value

Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on the Dar es Salaam Stock Exchange.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

3 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

Fair value of financial assets and liabilities (Continued)

Assets and liabilities measured at fair value

31 December 2011	**Level 1**	**Level 2**	**Level 3**	**Total**
Available-for-sale financial assets:				
– Available for sale quoted equity investments	1,693,721	-	-	1,693,721

31 December 2010	**Level 1**	**Level 2**	**Level 3**	**Total**
Available-for-sale financial assets:				
– Available for sale quoted equity investments	1,585,924	-	-	1,585,924

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

(i) The ultimate liability arising from claims made under insurance contracts

The estimation of claims incurred is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. Refer to Notes 27 and 28 for movements in insurance liabilities and reinsurance assets, where estimates have been used in determining the outstanding claims provisions.

(ii) Impairment of available-for-sale equity financial assets

The Company determines that available-for-sale equity financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what contributes a significant or prolonged decline requires judgment.

(iii) Held to maturity of financial assets

The Company follows the IAS 39 guidance on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held to maturity. The classification requires significant judgment. In making this judgement, the company evaluates its intention and ability to hold such investments to maturity. If the Company fails to keep these investments to maturity other than for the specific circumstances- for example, selling an insignificant amount close to maturity- it will be required to reclassify the entire category as available for sale. The investments would therefore be measured at fair value and not amortised cost. If all held to maturity financial assets were to be so reclassified, the carrying values would be Shs 3,721,130,808 and Shs 4,071,459,299 (2010: Shs 1,497,200,440 and Shs 2,370,882,394) for government securities and corporate bonds, respectively.

5 INSURANCE PREMIUM REVENUE

The general insurance business is analysed into several sub-classes of business based on the nature of the assumed risks. The premium revenue of the Company can be analysed between the main classes of business as shown below:

	2011 TShs'000	2010 TShs'000
Motor	**4,158,467**	4,838,081
Fire	**16,378,709**	18,601,865
Accident	**6,926,585**	6,972,999
Marine	**1,008,347**	1,985,035
Engineering	**1,616,506**	592,251
Medical	**999,478**	2,423,212
Other	**865,967**	3,115,531
	31,954,059	36,105,762

6 INVESTMENT INCOME

	2011 TShs'000	2010 TShs'000
Interest from government securities	**429,580**	185,149
Interest from corporate bonds	**406,319**	524,653
Bank deposit interest	**461,219**	177,315
Dividends receivable	**134,586**	112,860
Gain on sale of investments	**24,900**	246,819
Profit on disposal of TCC shares	**117,000**	-
Fair value gain on disposed shares recycled to profit and loss	**271,500**	-
	1,845,104	1,246,796

7 SHARE OF (LOSS)/PROFIT FROM ASSOCIATES

	2011 TShs'000	2010 TShs'000
Share of profit in Alliance Insurance Corporation Limited (Note 18)	**690,750**	755,100
Share of (loss)/profit in Strategis Insurance (Tanzania) Limited (Note 18)	**(702,519)**	285,476
	(11,769)	1,040,576

8 OTHER INCOME

	2011 TShs'000	2010 TShs'000
Profit on disposal of property and equipment	**12,329**	32,583
Foreign exchange gain	**321,333**	659,650
Miscellaneous income	**5,428**	1,593
	339,090	693,826

9 INSURANCE CLAIMS

	2011 TShs'000	2010 TShs'000
Engineering	**695,836**	65,105
Fire commercial	**7,863,003**	1,421,378
Fire domestic	**55,123**	31,030
Liability	**156,854**	(50,900)
Marine	**(1,859)**	382,409
Motor	**2,790,787**	3,639,463
Personal accident	**440,048**	510,026
Theft	**217,694**	104,373
Workman compensation	**74,207**	35,993
Miscellaneous	**2,540,274**	3,274,796
	14,831,967	9,413,673

10 OPERATING EXPENSES

	2011 TShs'000	2010 TShs'000
Staff costs	**2,173,588**	2,008,677
Auditors' remuneration	**71,072**	61,124
Depreciation and amortisation	**465,006**	433,491
Operating lease rentals	**439,991**	399,293
Repairs and maintenance expenses	**42,950**	46,070
Directors' fees	**39,900**	20,370
Marketing	**349,486**	366,530
Impairment loss on available for sale financial assets	**11,508**	313,424
Receivables impairment provision	**81,798**	216,234
Other operating expenses	**1,049,879**	1,047,255
	4,725,178	4,845,153

STAFF COSTS

Staff costs include the following:	2011 TShs'000	2010 TShs'000
- Salaries and wages	**2,020,670**	1,888,615
- Social security benefit costs	**152,918**	120,062
	2,173,588	2,008,677

11 FINANCE COSTS **2011** 2010

	TShs'000	TShs'000
Interest charge for overdraft facility	**11,067**	10,000

12 INCOME TAX EXPENSE

Current income tax – current year	**476,529**	846,423
– prior years	**(24,354)**	-
Deferred income tax – current year	**883**	(55,949)
– prior years	**112**	-
	453,170	790,474

The Company's current tax expense is computed in accordance with income tax rules applicable to general insurance companies. A reconciliation of the tax charge is shown below:

	2011 TShs'000	2010 TShs'000
Profit before income tax	**1,973,926**	3,318,749
Tax calculated at the tax rate of 30%	**592,178**	995,625
Tax effect of:		
Share of loss/ (profit)of associates	**3,531**	(298,758)
Share of dividend	**(40,376)**	(33,858)
Depreciation on non qualifying assets	**13,054**	5,122
Profit on disposal of quoted shares	**(116,550)**	-
Prior year income and deferred tax	**(24,242)**	-
Profit on sale of non qualifying asset	**(1,699)**	(7,913)
Expenses not deductible for tax purposes	**27,274**	130,256
	453,170	790,474

13 DIVIDEND

Proposed dividends are accounted for as a separate component of equity until they have been ratified at an Annual General Meeting. A dividend of TShs 1.7 billion is proposed for the year ended 31 December 2011 (2010: TShs 2010: TShs 834). Payment of dividends is subject to withholding tax at a rate of either 0% or 10% depending on the residence and shareholding of the respective shareholders.

14 CAPITAL STRUCTURE

The total authorised number of ordinary shares is 100,000 with a par value of TShs 100,000, of which 40,000 shares have been issued and fully paid (2010: 40,000 shares of TShs 100,000 each).

	2011 TShs'000	2010 TShs'000
Share capital	**4,000,000**	4,000,000
Contingency reserve	**3,144,145**	2,838,381
Capital reserve	**1,438,929**	1,134,779
Fair value reserve	**1,536,844**	1,020,342
Retained earnings	**2,386,852**	3,176,007
Proposed dividend	**1,700,000**	834,331
Balance at 31 December 2011	**14,206,770**	**13,003,840**

15 PROPERTY AND EQUIPMENT

Cost	**Motor vehicles** **TShs'000**	**Furniture and equipment** **TShs'000**	**Total** **TShs'000**
At start of year	299,413	1,048,995	1,348,409
Additions	116,330	82,474	198,804
Disposals	(53,245)	(6,984)	(60,229)
Adjustments	-	(5,540)	(5,540)
At end of year	362,498	1,118,945	1,481,443
Amortisation			
At start of year	215,518	834,733	1,050,251
Charge for the year	73,624	127,267	200,891
Disposals	(53,245)	(3,026)	(56,271)
Adjustments	-	(4,869)	(4,869)
At end of year	235,897	954,105	1,190,002
Net book value at 31 December 2011	**126,602**	**164,840**	**291,441**

15 PROPERTY AND EQUIPMENT

	Motor vehicles TShs'000	Furniture and equipment TShs'000	Total TShs'000
Cost			
At start of year	304,870	1,003,770	1,308,640
Additions	53,005	85,542	138,547
Disposals	(58,461)	(4,769)	(63,230)
Adjustments	-	(35,549)	(35,549)
At end of year	299,414	1,048,994	1,348,408
Amortisation			
At start of year	235,711	738,944	974,655
Charge for the year	38,267	136,088	174,355
Disposals	(58,461)	(4,749)	(63,210)
Adjustments	-	(35,549)	(35,549)
At end of year	215,517	834,734	1,050,251
Net book value at 31 December 2010	**83,897**	**214,260**	**298,157**

16 INTANGIBLE ASSETS – COMPUTER SOFTWARE

	2011 TShs'000	2010 TShs'000
Cost		
At start of year	**777,407**	-
Additions	**14,937**	777,407
At end of year	**792,344**	777,407
Amortisation		
At start of year	**259,136**	-
Charge for the year	**264,115**	259,136
At end of year	**523,251**	259,136
Net book value at 31 December	**269,093**	518,271

17 INVESTMENT IN ASSOCIATES

	2011	2010

	TShs'000	TShs'000
At start of year	**5,700,451**	4,705,591
Additions – Strategis shares	**783,600**	58,800
Dividends received	**(176,904)**	(182,520)
Share of (loss) / profit in Strategis Insurance (Tanzania) Limited	**(702,519)**	285,476
Share of profit in Alliance Insurance Corporation Limited	**690,750**	755,100
Share of AFS reserve of Alliance Insurance	**335,700**	78,004
At end of year	**6,631,078**	5,700,451

The Company's interest in its associates, all of which are unlisted, is as follows

	% interest held TShs '000	**Assets TShs '000**	**Liabilities TShs '000**	**Revenue TShs '000**	**Profit /(Loss) TShs '000**
Year ended 31 December 2011					
Alliance Insurance Corporation Limited	45%	26,698,000	15,030,000	10,219,000	1,655,000
Strategis Insurance (Tanzania) Limited	39.18%	12,965,848	9,485,052	10,227,297	(1793,056)
		39,663,848	**24,515,052**	**20,446,297**	**(138,056)**
Year ended 31 December 2010					
Alliance Insurance Corporation Limited	45%	21,695,000	12,391,000	9,321,000	1,668,000
Strategis Insurance (Tanzania) Limited	39.18%	12,965,848	9,485,052	14,711,098	728,627
		34,660,848	**21,876,052**	**24,032,098**	**2,396,627**

All the above associates are incorporated in the United Republic of Tanzania.

18 ADVANCE TOWARDS AN INVESTMENT IN EQUITY

During year 2010, the Company paid TShs 2.071 billion as an advance towards investment in Dar es Salaam Properties Limited (DPL). However, the investment was disposed off during the year ended 31 December 2011 and whole amount recovered by the Company**.**

19 AVAILABLE FOR SALE QUOTED EQUITY INVESTMENTS

	2011	2010
	TShs'000	TShs'000

At start of year	**1,585,924**	1,375,650
Additions	**-**	300,300
Disposal	**(333,000)**	-
Impairment loss	**(11,508)**	(162,256)
Fair value gain	**452,305**	72,230
At end of year	**1,693,721**	1,585,924
Current	**1,693,721**	1,585,924

DETAILS	**% Interest held**		
TBL Shares	0.03	**202,000**	178,000
Tatepa Shares	0.29	**13,553**	25,061
TCC Shares	0.15	**-**	333,000
Tanga Cement Shares	0.08	**122,903**	98,116
TOL Shares	0.24	**19,973**	19,973
CRDB Shares	0.25	**956,616**	637,744
NMB Shares	0.09	**378,675**	294,030
		1,693,721	1,585,924

20 AVAILABLE FOR SALE UNQUOTED EQUITY INVESTMENT

At start of year	**209,407**	205,123
Additions	**232,775**	4,284
At end of year	**442,182**	209,407

Unquoted equity investment represents investment in unquoted shares of Tanzania National Reinsurance Corporation Limited, in which the Company holds 2% shareholding.

21 REINSURERS' SHARE OF INSURANCE LIABILITIES

	2011	2010
	TShs'000	TShs'000
Reinsurers' share of:		
Unearned premium	**13,351,382**	8,788,087
Notified claims outstanding	**12,341,124**	4,878,826
Claims incurred but not reported	**2,018,278**	3,407,591
	27,710,784	17,074,504

22 DEFERRED ACQUISITION COST/INCOME

	2011 TShs'000	2010 TShs'000
COST		
At start of year	**841,896**	1,125,207
Addition	**2,836,015**	2,820,588
Amortisation charge	**(2,542,977)**	(3,103,899)
At end of year	**1,134,934**	841,896
INCOME		
At start of year	**(1,132,709)**	(1,765,895)
Addition	**(3,495,202)**	(3,209,322)
Amortisation charge	**3,163,229**	3,842,509
At end of year	**(1,464,682)**	(1,132,710)

23 DEFERRED TAX ASSET

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2010: 30%). The movement on the deferred income tax account is as follows:

	2011 TShs'000	2010 TShs'000
At start of the year	**254,609**	198,660
(Charge)/credit to profit and loss account (Note 12)	**(995)**	55,949
At end of year	**253,614**	254,609

Deferred income tax assets and liabilities, deferred income tax credit in the profit and loss account are attributable to the followings items:

	1 January 2011 TShs'000	(Charge)/ credit to P&L TShs'000	31 December 2011 TShs'000
Property and equipment	106,007	31,638	137,645
Other temporary differences	148,602	(32,633)	115,969
Deferred income tax asset	**254,609**	**(995)**	**253,614**

23 DEFERRED INCOME TAX (CONTINUED) (Charge)/ 31

	1 January 2010 TShs'000	credit to P&L TShs'000	December 2010 TShs'000
Property and equipment	72,055	33,952	106,007
Other temporary differences	126,605	21,997	148,602
	198,660	**55,949**	**254,609**

24 OTHER RECEIVABLES

	2011 TShs'000	2010 TShs'000
Due from related companies	**115,109**	90,995
Sundry debtors and prepayments	**246,499**	168,458
	361,608	259,453
Current	**361,608**	259,453

25 GOVERNMENT SECURITIES HELD TO MATURITY

Treasury bills and bonds maturing 3 to 12 months	**-**	1,447,633
Treasury bills and bonds maturing in over 12 months	**4,153,395**	177,425
	4,153,395	1,625,058

26 CORPORATE BONDS HELD TO MATURITY

At start of year	**3,132,511**	542,197
Addition	**1,100,000**	2,500,000
Interest	**50,937**	90,314
At end of year	**4,283,448**	3,132,511

27 DEPOSITS WITH FINANCIAL INSTITUTIONS

Deposits with maturity of 90 days or less	**2,402,689**	2,761,491
Deposits with maturity of more than 90 days and less than 1 year	**3,179,860**	3,376,109
	5,582,549	6,137,600

27 DEPOSITS WITH FINANCIAL INSTITUTIONS (CONTINUED)

Effective interest rates

The following table summarises the effective interest rates at the year end on the principal.

	2011 %	2010 %
Government securities	**9**	11
Deposits with financial institutions	**3**	3
Corporate bonds	**10**	17

28 CASH AND CASH EQUIVALENTS

Cash and bank balances		
Cash at bank	**1,330,282**	705,383
Cash in hand	**1,724**	1,983
	1,332,006	707,366

For the purposes of the cash flow statement, cash and cash equivalents comprise the following:

	2011 TShs'000	2010 TShs'000
Cash and bank balances	**1,332,006**	707,366
Deposits with financial institutions maturing within 90 days (Note 27)	**2,402,689**	2,761,491
	3,734,695	3,468,857

29 INSURANCE CONTRACT LIABILITIES

Short term non-life insurance contracts:		
Claims reported and claims handling expenses	**20,349,814**	12,192,273
Claims incurred but not reported	**3,131,227**	4,543,296
Total - short term	**23,481,041**	16,735,569
Current	**23,481,041**	16,735,569

29 INSURANCE CONTRACT LIABILITIES (CONTINUED)

Short term non-life insurance contracts

NOTES (CONTINUED)

Gross claims reported, claims handling expense liabilities and the liability for claims incurred but not reported are net of expected recoveries from salvage and subrogation. The expected recoveries at the end of 2011 and 2010 are not material.

The Company uses chain-ladder techniques to estimate the ultimate cost of claims and the IBNR provision. Chain ladder techniques are used as they are an appropriate technique for mature classes of business that have a relatively stable development pattern. This involves the analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to cumulative claims data for each accident year that is not fully developed to produce an estimated ultimate claims cost for each accident year.

The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of claims. The table below illustrates how the Company's estimate of total claims outstanding for each accident year has changed at successive year ends.

29 INSURANCE CONTRACT LIABILITIES (CONTINUED)

Accident year	**2005** TShs'000	**2006** TShs'000	**2007** TShs'000	**2008** TShs'000	**2009** TShs'000	**2010** TShs'000	**2011**	**Total** TShs'000
Estimate of ultimate claims costs:								
At end of accident year	4,563,809	6,254,594	11,296,118	10,060,411	25,270,124	13,008,318	19,784,557	90,237,931
One year later	3,507,211	4,259,455	11,431,037	10,667,847	24,619,611	9,303,852	-	63,789,013
Two years later	3,949,594	4,259,455	9,580,028	10,854,694	22,638,542	-	-	51,282,313
Three years later	3,949,594	4,482,101	5,735,184	10,042,119	-	-	-	24,208,998
Four years later	4,049,767	4,751,957	5,082,103	-	-	-	-	13,883,827
Five years later	4,814,891	4,429,346	-	-	-	-	-	9,244,237
Six years later	4,552,153	-	-	-	-	-	-	4,552,153
Current estimate of cumulative claims	4,552,153	4,429,346	5,082,103	10,042,119	22,638,542	9,303,852	19,784,557	75,832,671
Less: cumulative payments to date	4,359,579	3,882,579	3,862,539	8,394,051	21,540,681	7,612,617	3,096,488	52,748,535
Liability in the balance sheet	192,574	546,767	1,219,564	1,648,067	1,097,861	1,691,235	16,688,069	23,084,134
Liability in respect of prior years	-	-	-	-	-	-	-	396,905
Total gross claims liability included in the balance sheet								**23,481,041**

Movement in insurance liabilities and reinsurance assets are shown in note 28.

30 PROVISIONS FOR UNEARNED PREMIUM AND UNEXPIRED RISKS

These provisions represent the liability for short term business contracts where the Company's obligations have not expired at the period end. The unexpired risk provision relates to insurance contracts for which the Company expects to pay claims in excess of the related unearned premium provision. Movements in the two provisions are shown below:

Unearned premium provision			**2011**			**2010**
	Gross	**Re-insurance**	**Net**	**Gross**	**Re-insurance**	**Net**
	TShs'000	**TShs'000**	**TShs'000**	**TShs'000**	**TShs'000**	**TShs'000**
At beginning of year	11,545,195	8,315,904	3,229,291	14,143,604	10,902,987	3,240,617
Increase in the year (net)	5,363,748	5,035,478	328,270	(2,598,409)	(2,114,900)	(483,509)
At end of year	**16,908,943**	**13,351,382**	**3,557,561**	**11,545,195**	**8,788,087**	**2,757,108**
Unexpired risk provision						
At beginning of year	-	-	11,326	-	-	103,464
Increase in the year (net)	-	-	(11,326)	-	-	(92,138)
At end of year	**-**	**-**	**-**	**-**	**-**	**11,326**
Total as per balance sheet	**16,908,943**	**13,351,382**	**3,557,561**	**11,545,195**	**8,788,087**	**2,768,434**

31 PAYABLES ARISING FROM REINSURANCE ARRANGEMENTS

	2011 TShs'000	2010 TShs'000
International facultative	**6,339,989**	1,055,923
Local facultative	**1,164,621**	1,382,287
Treaty reinsurance	**1,295,022**	477,870
	8,799,632	2,916,080

32 OTHER PAYABLES

Due to related companies	**190,193**	26,631
Accrued expenses	**866,950**	602,529
	1,057,143	629,160

33 MOVEMENTS IN INSURANCE LIABILITIES AND REINSURANCE ASSETS

Short term insurance business

			2011			2010
	Gross	Re-insurance	Net	Gross	Re-insurance	Net
	TShs'000	TShs'000	TShs'000	TShs'000	TShs'000	TShs'000
Notified claims	12,192,273	4,878,826	7,313,447	22,845,326	17,037,955	5,807,371
Incurred but not reported	4,543,296	3,407,591	1,135,705	2,496,591	1,394,555	1,102,036
Total at beginning of year	16,735,569	8,286,417	8,449,152	25,341,917	18,432,510	6,909,407
Cash paid for claims settled in year	(8,086,495)	(3,291,306)	(4,795,188)	(18,020,021)	(13,125,590)	(4,894,431)
Increase in liabilities:						
arising from current year claims	12,063,313	9,424,464	2,638,849	3,011,225	129,947	2,881,278
arising from prior year claims	2,768,654	(60,173)	2,828,827	6,402,448	2,849,550	3,552,898
Total at end of year	**23,481,041**	**14,359,402**	**9,121,639**	**16,735,569**	**8,286,417**	**8,449,152**
Notified claims	20,349,815	12,341,124	8,008,691	12,192,273	4,878,826	7,313,447
Incurred but not reported	3,131,227	2,018,278	1,112,949	4,543,296	3,407,591	1,135,705
	23,481,041	**14,359,402**	**9,121,639**	**16,735,569**	**8,286,417**	**8,449,152**

34 CASH GENERATED FROM OPERATIONS

	2011 TShs'000	2010 TShs'000
Reconciliation of the Company's profit before income tax to cash generated from operations:		
Profit before income tax	**1,973,927**	3,318,749
Adjustments for:		
Dividend income	**(134,586)**	(112,860)
Interest income	**(1,297,118)**	(887,117)
Gain on sale of Investments	**(24,900)**	(246,819)
Gain on sale of quoted shares	**(388,500)**	-
Depreciation expense (Note 15)	**200,891**	174,355
Amortisation expense (Note 16)	**264,115**	259,136
Impairment of available for sale financial assets	**11,508**	313,424
Profit on sale of property and equipment	**(12,329)**	(32,583)
Share of results of associates (Note 7)	**11,769**	(1,040,576)
Changes in:		
- Insurance contract liabilities, unearned premiums and reinsurers share of insurance liabilities	**1,472,941**	952,772
- Payables arising from reinsurance arrangements, deferred acquisition income and other payables	**7,124,539**	(7,299,469)
- Receivables from direct and reinsurance arrangements and other receivables	**(4,682,067)**	7,040,939
Cash generated from operations	**4,520,190**	2,439,951

35 FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and advances TShs '000	Held to maturity TShs '000	Available for sale TShs '000	Total TShs '000
31 December 2011				
Financial assets				
Cash and balances with Bank of Tanzania	1,332,006	-	-	1,332,006
Government securities held-to-maturity	-	4,153,395	-	4,153,395
Deposits with financial institutions	5,582,549	-	-	5,582,549
Available-for-sale quoted equity investments	-	-	1,693,721	1,693,721
Available-for-sale unquoted investment	-	-	442,182	442,182
Corporate bonds	-	4,283,448	-	4,283,448
	5,582,549	**9,768,849**	**2,135,903**	**17,487,301**

35 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Financial liabilities	**Other liabilities at amortised cost**
Bank overdraft	751,577

31 December 2010	**Loans and advances TShs '000**	**Held to maturity TShs '000**	**Available for sale TShs '000**	**Total TShs '000**
Financial assets				
Cash and balances with Bank of Tanzania	707,366	-	-	707,366
Government securities held-to-maturity	-	1,625,058	-	1,625,058
Deposit with financial Institutions	6,137,600	-	-	6,137,600
Available-for-sale quoted equity investments	-	-	1,585,924	1,585,924
Available-for-sale unquoted investment	-	-	209,407	209,407
Corporate bonds	-	3,132,511	-	3,132,511
	6,137,600	**5,464,935**	**1,795,331**	**13,397,866**

31 December 2010

Financial liabilities	**Other liabilities at amortised cost**
Bank overdraft	270,546

36 FAIR VALUE RESERVE

	2011 TShs'000	2010 TShs'000
At start of year	**1,020,340**	718,939
Gains from changes in fair value	**452,304**	72,230
Transfer to profit and loss account fair value (gain)/ loss on disposed AFS	**(271,500)**	151,169
Share of other comprehensive income of an associate	**335,700**	78,004
At end of year	**1,536,844**	1,020,340

37 CONTINGENT LIABILITIES

(i) *Legal claims*

In common practice with the insurance industry in general, the Company is subjected to litigation arising in the normal course of insurance business. The Directors are of the opinion that this litigation will not have a material effect on the financial position or profits of the Company.

(ii) Tax liabilities

The Company has tax disputes with Tanzania Revenue Authority with respect to Value Added Tax (VAT), corporation tax, withholding tax and Pay As You Earn (PAYE) tax from year 2003 - 2005 totalling TShs 270 million. The Company has paid one third of amount in dispute as per provisions of Tanzania Income Tax Act. (In the opinion of the Directors no additional material liability is expected to arise from the disputed assessments.)

38 CONTINGENT LOSS ON PROFITS FROM ASSOCIATES

Included in the balance sheet of Strategis Insurance (one of the Company's associates) is TShs 170 million receivable from a third party, which is in dispute. According to the third party, the net amount due from the associate is USD 481,228. The parties are in the process of appointing an arbitrator as stipulated in their contract. No provision has been made in the financial statements for a share of the potential loss that might arise if the arbitration goes against Strategis Insurance. The maximum exposure to the Company is a loss of TShs 219 million after tax.

39 RELATED PARTY TRANSACTIONS

The Company is controlled by The Heritage Insurance Company Limited, incorporated in Kenya, which is the immediate parent company. The ultimate holding company is Standard Bank incorporated in South Africa. The Company also has shareholdings in two associated other insurance companies; Alliance Insurance Corporation Limited and Strategis Insurance (Tanzania) Limited.

The following transactions were carried out with related parties:

	2011	2010
i) Transactions with Associated Companies	**TShs'000**	TShs'000
Gross earned premium		
Strategis Insurance (Tanzania) Limited	**999,478**	2,423,211
Alliance Insurance Corporation Limited	**161,501**	87,706
	1,160,979	2,510,917
Net claims incurred		
Strategis Insurance (Tanzania) Limited	**1,984,205**	1,619,857
	1,984,205	1,619,857

39 RELATED PARTY TRANSACTIONS (CONTINUED)

	2011 TShs'000	2010 TShs'000
iii) Outstanding balances payable to related parties		
The Heritage Insurance Company Limited Kenya	**12,980**	2,623
Strategis Insurance Company Limited	**1,612,756**	1,772,712
Alliance Insurance Corporation	**145,097**	14,483
	1,770,833	1,789,818
iv) Outstanding balances receivable from related parties		
Staff loans	**78,660**	83,410
Strategis Insurance	**999,478**	1,647,051
CFC Stanbic group of companies	**99,483**	78,234
Due from CFC Life	**698**	698
Alliance Insurance Corporation	**374,615**	248,681
Liberty Africa	**11,651**	11,651
	1,564,585	2,069,725

v) Directors' remuneration

Names of directors		
Y. M. Manek	**7,500**	3,750
V. Dhall	**5,600**	2,800
S. Lugalia	**5,600**	2,800
Mike du Toit	**5,000**	-
J. G. Kiereini	**5,600**	2,800
J. H. D. Milne	**5,600**	2,800
J. V. Mwapachu	**5,000**	5,000
At end of the year	**39,900**	19,950

Sitting allowance for the period to 31 December 2011 was TShs 600,000 for each director (2010: TShs 300,000).

vi) Key management compensation	2011 TShs'000	2010 TShs'000
Salaries and other short-term employee benefits	**942,688**	818,242
Post employment benefits	**84,004**	55,893
	1,026,692	874,135

Key management personnel are described as those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly.

THE HERITAGE INSURANCE COMPANY TANZANIA LIMITED
SUPPLEMENTARY INFORMATION

GENERAL INSURANCE BUSINESS REVENUE ACCOUNT 2011

Class of insurance Business	Engineering	Fire Domestic	Fire Industrial	Liability	Marine	Motor Commercial	Private	Personal Accident	Theft	Workmen's Compensation	Miscellaneo us	2011 Total	2010 Total
Class code	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**		
	TShs'000	**TShs'000**	**TShs'000**	**TShs'000**	**TShs'000**	**TShs'000**	**TShs'000**	**TShs'000**	**TShs'000**	**TShs'000**	**TShs'000**	**TShs'000**	**TShs'000**
Gross premium written	2,243,285	6,971	19,509,042	2,502,179	1,388,472	2,154,754	2,613,088	1,765,722	186,250	687,066	4,260,978	37,317,807	33,507,352
Change in gross UPR	626,780	37,584	(3,174,889)	(330,389)	(380,123)	(512,301)	(97,074)	(60,147)	(27,390)	(38,493)	(153,746)	(5,363,748)	2,598,409
Gross earned premiums	1,616,505	44,555	16,334,153	2,171,790	1,008,349	1,642,453	2,516,014	1,705,575	158,860	648,573	4,107,232	31,954,059	36,105,762
Less: reinsurance payable	1,430,148	29,237	15,535,691	1,329,882	721,726	370,557	572,870	504,065	33,010	148,203	1,886,998	22,562,387	24,743,423
Net earned premiums	186,357	15,318	798,462	841,908	286,623	1,271,896	1,943,144	1,201,510	125,850	500,370	2,220,234	9,391,672	11,362,339
Net Written	*243,635*	*5,577*	*843,326*	*915,433*	*288,105*	*1,671,091*	*2,030,921*	*1,260,363*	*143,613*	*529,940*	*2,260,123*	*10,192,127*	*10,775,366*
Gross claims paid	519,256	36,533	1,775,258	84,215	68,070	550,199	1.579,613	466,406	117,222	60,787	2,828,934	8,086,493	18,020,021
Change in gross o/s claims	176,581	18,589	6,087,745	72,638	(69,930)	689,857	(28.882)	(26,358)	100,472	13,420	(288,660)	6,745,472	(8,606,348)
Less: Reinsurance recoverable	537,720	15,961	7,290,068	24,676	25,036	300,633	505,949	182,424	10,302	7,137	464,385	9,364,291	2,979,497
Net claims incurred	158,117	39,161	572,935	132,177	(26,896)	939,423	1,044,782	257,624	207,392	67,070	2,075,889	5,467,674	6,434,176
Commission receivable	(235,675)	(1,558)	(2,015,975)	(154,508)	(96,655)	(64,631)	(99,748)	(114,892)	(8,448)	(35,849)	(335,290)	(3,163,229)	(3,836,293)
Commission payable	223,218	3,045	964,775	176,656	122,005	161,237	207,213	245,251	24,534	94,898	320,144	2,542,976	3,581,752
Expenses of management	143,464	2,772	1,196,992	502,922	157,217	482,114	585,732	351,445	37,204	137,248	854,650	4,450,760	4,262,202
Total expenses and commissions	131,007	4,259	145,792	525,070	182,567	578,720	692,197	481,804	53,290	196,297	839,504	3,830,507	4,007,661
Underwriting profit/(loss)	**(102,767)**	**(28,102)**	**79,735**	**184,661**	**130,952**	**(246,247)**	**206,165**	**462,082**	**(134,832)**	**237,003**	**(695,159)**	**93,491**	**920,502**
Key ratios													
Loss ratio	85%	256%	72%	16%	-9%	74%	54%	21%	165%	13%	93%	58%	57%
Commission ratio	10%	44%	5%	7%	9%	7%	8%	14%	13%	14%	8%	7%	11%
Expense ratio	6%	40%	6%	20%	11%	22%	22%	20%	20%	20%	20%	12%	13%

THE HERITAGE INSURANCE COMPANY TANZANIA LIMITED
SUPPLEMENTARY INFORMATION

GENERAL INSURANCE BUSINESS REVENUE ACCOUNT 2010

Class of insurance Business	**Engineering**	**Fire Domestic**	**Fire Industrial**	**Liability**	**Marine**	**Motor Commercial**	**Private**	**Personal Accident**	**Theft**	**Workmen's Compensation**	**Miscellaneous**	**2010 Total**	**2009 Total**
Class code	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**		
	TShs'000	**TShs'000**	**TShs'000**	**TShs'000**	**TShs'000**	**TShs'000**	**TShs'000**	**TShs'000**	**TShs'000**	**TShs'000**	**TShs'000**	**TShs'000**	**TShs'000**
Gross premium written	1.208.02	225.129	17.466.377	1.559.849	459.849	1.317.831	2.991.503	1.686.342	139.336	680.453	5.772.659	33.507.352	34.108.462
Change in gross UPR	777,010	51,725	858,634	(200,001)	132,402	182,566	346,180	181,856	46,874	52,285	168,877	2,598,408	(1,882,765)
Gross earned premiums	1,985,03	276,854	18,325,011	1,359,848	592,251	1,500,397	3,337,683	1,868,198	186,210	732,738	5,941,536	36,105,760	32,225,697
Less: reinsurance payable	1,758,37	96,191	17,625,978	630,019	367,475	331,239	781,312	702,770	36,745	163,656	2,249,662	24,743,423	22,274,224
Net earned premiums	226,658	180,663	699,033	729,829	224,776	1,169,158	2,556,371	1,165,428	149,465	569,082	3,691,874	11,362,337	9,951,473
Net Written	*242,178*	*139,612*	*768,307*	*724,839*	*249,016*	*1,022,398*	*2,319,966*	*1,175,838*	*115,053*	*527,687*	*2,210,208*	*9,495,102*	*9,552,972*
Gross claims paid	172,956	47,555	11,367,364	67,383	258,149	1,453,633	2,124,474	534,945	210,596	50,199	1,732,765	18,020,019	14,368,905
Change in gross o/s claims	(107,851)	(16,525)	(9,945,986)	(118,283)	124,260	187,436	(126,079)	(24,920)	(106,224)	(14,206)	1,542,031	(8,606,347)	9,979,845
Less: Reinsurance recoverable	53,918	15,515	1,097,814	(165,656)	177,077	433,402	675,377	189,627	(19,679)	10,462	511,640	2,979,497	18,232,444
Net claims incurred	11,187	15,515	323,564	114,756	205,332	1,207,667	1,323,018	320,398	124,051	25,531	2,763,156	6,434,175	6,116,306
Commission receivable	(434,398)	(19,321)	(2,392,575)	(132,995)	(50,911)	(59,390)	(140,858)	(156,365)	(8,702)	(40,321)	(400,456)	(3,836,292)	(3,524,896)
Commission payable	304,869	51,352	918,680	184,413	63,561	146,434	294,621	264,931	27,108	118,621	1,207,162	3,581,752	3,137,268
Expenses of management	132,316	72,761	629,465	251,648	130,510	528,723	1,200,197	269,959	22,506	109,380	916,737	4,262,202	3,396,527
Total expenses and commissions	2,787	104,792	(846,430)	303,066	143,160	615,767	1,353,960	378,525	40,912	187,680	1,723,443	4,007,662	3,008,899
Underwriting profit/(loss)	**212,684**	**60,356**	**1,221,899**	**312,007**	**(123,716)**	**(654,276)**	**(120,607)**	**466,505**	**(15,498)**	**355,871**	**(794,725)**	**920,500**	**826,268**
Key ratios													
Loss ratio	5%	9%	46%	16%	91%	103%	52%	27%	83%	4%	75%	57%	61%
Commission ratio	25%	23%	5%	12%	14%	11%	10%	16%	19%	17%	21%	11%	9%
Expense ratio	11%	32%	4%	18%	28%	40%	40%	16%	18%	16%	16%	13%	10%