Heritage
Insurance Co

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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DIRECTORS, SENIOR MANAGEMENT AND OTHER COMPANY DETAILS FOR THE YEAR ENDED 31 DECEMBER 2012

1 DIRECTORS

The directors of the Company at the date of this report, all of whom have served since 1 January 2012, 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	-	Chief Operating Officer
Ian Baigrie, ACII	-	Underwriting & Claims Manager
John Kazimoto, B.A, CPA	-	Chief Financial Officer (Resigned on 13th November, 2012)

4 INDEPENDENT AUDITORS

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

5 REGISTERED OFFICE

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

CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

1 INTRODUCTION

I have once again the pleasure of presenting this report. Whilst 2012 has been another 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 has affected the Tanzanian economy in many ways. The focus of Global Investing communities has shifted to emerging markets like ours, while the foreign financial aid may have been adversely affected. This has muted the economic growth prospects in the short term while the medium to long term outlook continues to be very bright.

The government has continued with its ambitious programmes in development of infrastructure, agriculture, mining and other economic activities. Locally, inflation continues to be a cause for concern, while on the other hand the Shilling has held very well against the US dollar.

Your company continues to be the leader in large Corporate Risks markets; there are many opportunities in the retail market segments, particularly for small and medium enterprises that are now receiving due attention from the company. The Company is introducing innovative products that will serve these segments; one such innovation is the launch of the Vodacom Faraja funeral policy that is available, since October 2012, on a fully automated basis through the Vodacom Mpesa platform.

This is a world first and the Company is proud of this achievement.

The Insurance Market in Tanzania continues to be overtraded leading to excessive competition and pressure on rates.

3 BUSINESS PERFORMANCE

The gross written premium grew by 4% over the previous year. Investment income performed in line with the budget for the year 2012. All other operating indices have remained strong in line with the leading role that your company plays in this expanding market.

The profit before tax at Tsh5,583 M is substantially up in 2012 which includes Tsh 3,628 M profit on disposal of equity investment.Excluding this one off item, profit before tax at Tsh 1,955 M was at similar level over Tsh 1,973 M achieved in 2011. Underwriting profit for year at Tsh 903 M is largely due to mild claims experience.

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 strong growth in 2013, particularly with new products that are planned to be launched thru the Mpesaplatform,that is operating satisfactorily.

4 REINSURANCE

The global reinsurance market was relatively stable in 2012 with no major catastrophes. It was hoped that the reinsurance markets would soften, which they did for developed markets, it did not translate into reductions for the East African market, yet.

The Company's reinsurance program has remained stable for the past three 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.

5 OPERATIONS

There were no major losses reported in the year and this can be evidenced by a loss ratio of 51%. A combination of underwriting measures and improved claims management measures have contributed towards this result.

Operating expenses were higher than the bench mark of 10% of GWP inspite of many areas of cost reduction identified and savings achieved. Increasing GWP to manage within the 10% bench mark is rather difficult task in a market consisting of now 26 insurance companies. There will be continuing focus on reducing the cost base of the business, however.

Underwriting profit at TShs 903 million was substantially up on the prior year.

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.

7 PROSPECTS FOR 2013

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.

The retail Initiatives are expected to produce strong growth in the business particularly for its net account and the Company is well prepared to serve this market segment.

8 THANKS AND ACKNOWLEDGEMENT

I thankfully acknowledge the support of our clients, brokers and direct insurance buyers, and re-insurers for their continued support. We are mindful of the fact that the sole purpose of our business is to support them in their business. We strive to maintain the best service levels in the industry.

I thank the management and employees of the Company for their commitment to the values and ideals that Heritage represents.

CHAIRMAN'S STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2012

I also acknowledge the support and guidance provided by the Commissioner of Insurance and his office.

Finally, my thanks go to my fellow Directors for their guidance and support for our endeavours.

YOGESH M. MANEK CHAIRMAN	30.05.2013 DATE

THE HERITAGE INSURANCE COMPANY TANZANIA LIMITED

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2012

1 The Directors submit their report together with the audited financial statements for the year ended 31 December2012, 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 2012, except where otherwise stated, are:-

Name	Position	Nationality	Age
Yogesh M Manek	Chairman	Tanzanian	58
Nanalal L Chohan	Director	Tanzanian	65
Jeremiah G Kiereini	Director	Kenyan (Resigned in June 2012)	83
John H D Milne	Director	South African	63
Michael L du Toit	Director	South African	51
Juma V Mwapachu	Director	Tanzanian	70
Stephen Lugalia	Director	Kenyan	55
Peter N Gethi	Director	Kenyan (Appointed in June 2012)	47

Alternate directors

Name	Position	Nationality	Age
Vinod. K. Dhall	Alternate to MrNanalal. L. Chohan	Indian	63

7 COMPANY SECRETARY

The Company's secretary as at 31 December 2012 was Mrs. Gemma Moshy.

8 CORPORATE GOVERNANCE

The Board of Directors consists of 7directors 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 recognize 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(Resigned in June 2012)
2	Vinod K. Dhall	Member (Appointed Chairman in August 2012)
3	John H. D. Milne	Member
4	Stephen Lugalia	Member
5	Peter N Gethi	Member (Appointed in June 2012)

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 the Board of Directors held 5 meetings.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 behaviors 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 2012and is of the opinion that they met accepted criteria.

The Board performs risk and internal control assessment through the Board Audit and Risk 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:-

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

12 SHAREHOLDERS OF THE COMPANY

The total number of shareholders during the year 2012 is 2 (2011: 2 shareholders).One director, **Mr. YogeshM.Manek** has an indirect interest in37.6%of the shares of the Company through his shareholding in MAC Group Tanzania Limited. No other director holdsshares of the Company.

The shares of the Company are held as follows:

Name of the Shareholder	2012 number of Shares	2011 number of Shares
Heritage Insurance Company Limited	**36,000**	24,000
MAC Group Tanzania Limited	**24,000**	16,000
	60,000	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 TShs10,771 million (2011: TShs9,392million).

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 TShs2,922million (2011: TShs1,521 million).

15 TRANSFERS TO RESERVE

An amount of TShs584million (2011: TShs 609 million), has been transferred from the retained earnings to a contingency reserve, in accordance with Regulation 27(2)(b) of the Insurance Act 2009.

16 DIVIDEND

The directors propose payment of a dividend of TShs964million equivalent to TShs16,073per share (2011: TShs1.7billion, equivalent to TShs42,500 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 2012.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 TShs20 million (2011: TShs28.6 million) for staff training in order to improve employees 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 46 (2011:45).

22 GENDER PARITY

The Company had 46 employees, out of which 22 were female and 24 were male (2011: female 22, male 23).

23 RELATED PARTY TRANSACTIONS

All related party transactions and balances are disclosed in note 38 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 TShs12.3 million (2011: TShs18.4 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 centers.

REPORT OF THE DIRECTORS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2012

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 2013 will be put to the Annual General Meeting.

BY ORDER OF THE BOARD

YOGESH M. MANEK CHAIRMAN	30.05.2013 DATE

STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2012

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 judgments and estimates have been made in the preparation of the financial statements for the year ended 31 December 2012. 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.

YOGESH M. MANEK
CHAIRMAN

JOHN H. D. MILNE
DIRECTOR

30.05.2013
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 statement of financial position as at 31 December 2012, statement of profit or loss and other comprehensive income, statement of change 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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 2012 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 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.

Leonard C Mususa FCPA - PP
For and on behalf of PricewaterhouseCoopers
Certified Public Accountants
Dar es Salaam

30 May 2013
Date

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD

	Notes	2012 TShs'000	2011 TShs'000
Insurance premium revenue	5	**39,449,432**	31,954,059
Insurance premium ceded to reinsurers		**(28,677,937)**	(22,562,386)
Net insurance premium revenue		**10,771,495**	9,391,673
Investment income	6	**1,564,857**	1,845,104
Commission earned		**3,708,030**	3,163,229
Profit on disposal of equity investment	18	**3,628,008**	-
Other income	8	**32,872**	339,090
Net income		**19,705,262**	14,739,096
Insurance claims	9	**(6,848,751)**	(14,831,967)
Insurance claims recovered from reinsurers		**1,390,862**	9,364,291
Net insurance claims		**(5,457,889)**	(5,467,676)
Operating expenses	10	**(5,323,611)**	(4,731,682)
Finance costs	11	**(16,655)**	(11,067)
Commission expense		**(3,677,322)**	(2,542,976)
Profit from operations		**5,229,785**	1,985,696
Share of profit/(loss) from associates	7	**352,847**	(11,769)
Profit before income tax		**5,582,632**	1,973,927
Income tax expense	12	**(2,660,196)**	(453,170)
Profit for the year		**2,922,436**	1,520,757
Other comprehensive income:			
Gain on fair valuation of available for sale financial assets (AFS)	19	**107,438**	452,304
Transfer to profit or loss of share of other comprehensive income on disposal of Alliance		**(1,205,240)**	(271,500)
Share of other comprehensive income of associates	17	**327,585**	335,700
Total comprehensive income for the year		**2,152,219**	2,037,261

THE HERITAGE INSURANCE COMPANY TANZANIA LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

	Notes	2012 TShs'000	2011 TShs'000
ASSETS			
Property and equipment	15	**215,917**	291,441
Intangible assets	16	**4,979**	269,093
Held for sale investment in associates	17	**822,569**	6,631,078
Available-for-sale quoted equity investments	19	**1,801,159**	1,693,721
Available-for-sale unquoted investment	20	**442,182**	442,182
Receivables arising out of direct insurance arrangements		**7,670,125**	9,790,906
Receivables arising out of reinsurance arrangements		**2,916,944**	2,390,810
Reinsurers' share of insurance liabilities	21	**20,844,369**	27,710,784
Deferred acquisition cost	22	**1,498,872**	1,134,934
Deferred income tax	23	**282,205**	253,614
Income tax recoverable		**-**	348,219
Other receivables	24	**6,754,658**	361,608
Government securities held to maturity	25	**4,156,118**	4,153,395
Corporate bonds held to maturity	26	**4,223,296**	4,283,448
Deposits with financial institutions	27	**7,047,774**	5,582,549
Cash and bank balances	28	**820,461**	1,332,006
Total assets		**59,501,628**	**66,669,788**
LIABILITIES			
Insurance contract liabilities	29	**18,017,676**	23,481,041
Unearned premiums	30	**16,448,097**	16,908,943
Payables arising from reinsurance arrangements	31	**6,291,742**	8,799,632
Deferred acquisition income	22	**1,526,058**	1,464,682
Bank overdraft		**-**	751,577
Income tax payable		**1,644,426**	-
Other payables	32	**914,640**	1,057,143
Total liabilities		**44,842,639**	**52,463,018**
EQUITY			
Share capital	14	**6,000,000**	4,000,000
Contingency reserve	14	**3,728,632**	3,144,145
Capital reserve	14	**-**	1,438,929
Fair value reserve	36	**766,627**	1,536,844
Retained earnings	14	**3,199,326**	2,386,852
Proposed dividend	13	**964,404**	1,700,000
Total equity		**14,658,989**	**14,206,770**
Total equity and liabilities		**59,501,628**	**66,669,788**

The financial statements on pages 15 to 60 were approved for issue by the board of directors on 30.05.2012 and signed on its behalf by:

CHAIRMAN
YOGESH M. MANEK

DIRECTOR
JOHN H.D.MILNE

PRINCIPAL OFFICER
ANIL CHOPRA

STATEMENT OF CHANGE 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 2012								
Balance at 1 January 2012		**4,000,000**	**1,536,844**	**3,144,145**	**1,438,929**	**2,386,852**	**1,700,000**	**14,206,770**
Comprehensive income:								
Profit for the year		-	-	-	-	2,922,436	-	2,922,436
Other comprehensive income:								
Fair value gain	19	-	107,438	-	-	-	-	107,438
Other comprehensive income transferred to profit orloss on disposal of Associate	18	-	(1,205,240)	-	-	-	-	(1,205,240)
Share of other comprehensive income of associate - Strategis	17	-	327,585	-	-	-	-	327,585
Total comprehensive income		-	(770,217)	-	-	2,922,436	-	2,152,219
Transfer to contingency reserve		-	-	584,487		(584,487)	-	-
Transfer to retained earnings		-	-	-	(1,438,929)	1,438,929	-	-
Transactions with owners:								-
Bonus issue of shares		2,000,000	-	-	-	(2,000,000)	-	-
Final dividend 2011		-	-	-	-	-	(1,700,000)	(1,700,000)
Proposed dividend for 2012		-	-	-	-	(964,404)	964,404	-
Total transactions with owners		2,000,000	-	-	-	(2,109,962)	(735,596)	(1,700,000)
Balance at 31 December 2012		**6,000,000**	**766,627**	**3,728,632**	**-**	**3,199,326**	**964,404**	**14,658,989**

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 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 on loss of fair value gain on impaired AFS		-	(271,500)	-	-	-	-	(271,500)
Share of other comprehensive income of 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		-	-	-	-	(1,700,000)	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 CASH FLOWS

	Notes	2012 TShs'000	2011 TShs'000
Cash (utilized in)/generated from operations	34	**(7,087,327)**	4,520,190
Dividend received		**154,788**	134,586
Interest received		**1,636,529**	1,322,018
Tax paid		**(696,141)**	(807,344)
Cash (utilised in)/ generated from operating activities		**(5,992,155)**	5,169,450
Cash flows from investing activities			
Purchase of property and equipment	15	**(137,683)**	(198,804)
Purchase of intangible assets	16	**-**	(14,937)
Proceeds from disposal of equipment		**40,839**	16,958
Investment in Tan Re		**-**	(232,775)
Purchase of additional shares in Strategis		**-**	(783,600)
Purchase of other investments		**(1,276,046)**	(3,483,027)
Proceeds from sale of quoted shares		**-**	450,000
Proceeds from sale of Investment in Alliance	18	**8,116,000**	-
Dividend from associates	17	**569,250**	176,904
Cash inflows from/ (utilised in) investing activities		**7,312,360**	(4,069,281)
Cash flows from financing activities			
Dividends paid		**(1,700,000)**	(834,331)
Cash utilised in financing activities		**(1,700,000)**	(834,331)
Net (decrease)/ increase in cash and cash equivalents		**(379,795)**	265,838
Cash and cash equivalents at beginning of the year		**3,734,695**	3,468,857
Cash and cash equivalents at end of the year	28	**3,354,900**	3,734,695

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 as follows:

Oyster Bay Office Complex
368 Msasani Road
PO 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 revenue 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

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on 1 January 2012 that would be expected to have a material impact on the Company.

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

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except the following:

Amendment to IAS 1, 'Presentation of Financial Statements'(effective 1 July 2012), regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The application of this amendment will mainly impact the presentation of the primary statements.

IFRS 13, 'Fair value measurement' (effective 1 July 2012), 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 IFRSs. The requirements, which are largely aligned between IFRSs 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 IFRSs or US GAAP. The application of IFRS 13 may enhance fair value disclosures in certain circumstances.

IFRS 9, 'Financial instruments' (effective 1 January 2015), addresses the classification, measurement and recognition of financial assets and financial liabilities. Issued in November 2009 and October 2011, it replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised 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 the income statement, unless this creates an accounting mismatch. The directors are yet to assess IFRS 9's full impact and intend to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015. The directors will also consider the impact of the remaining phases of IFRS 9 when completed by the IASB.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 profit or loss, 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

(i) Rendering of services

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.

Commission receivable isrecognised 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.

(ii) Interest income and expenses

Interest income and expenses for all interest-bearing financial instruments, including financial instruments measured at fair value through profit or loss, are recognised within 'investment income' and 'finance costs' using the effective interest rate method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(iii) Dividend income

Dividends are recognised in profit or loss when the Company's right to receive the payment is established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(e) Commissions payable and deferred acquisition costs

A proportion of commission 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 profit on loss 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 capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized 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 cost 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 (cash balances with banks,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 statement of financial position 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 receivables, impairment is determined using a policy driven by age of the debt and subsequent recovery. For all amounts that 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, 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 profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss. 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 profit or loss.

(l) Financial liabilities

The Company's holding in financial liabilities represents mainly insurance liabilities, unearned premium and unexpired risks provision, creditors arising from reinsurance arrangements, other liabilities and dividend payable. Such financial liabilities are initially recognised at fair value and subsequently measured at amortised cost.

The following classifies its financial liabilities as follows:

Financial liabilities	**Class**
Insurance contract liabilities	Financial liabilities at amortised cost
Creditors arising from reinsurance	Financial liabilities at amortised cost
Reinsurance arrangements	Financial liabilities at amortised cost
Unearned premiums	Financial liabilities at amortised cost
Other payables	Financial liabilities 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 profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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 profit or loss 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 profit or loss 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 or 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(u) Share capital

Ordinary shares are classified as 'share capital' in equity. Incremental costs directly attributable to the issue of equity instruments are shown in equity, as a deduction from the proceeds, net of tax.

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 2012

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	18,388,843	43,882,562	32,223,378	94,494,783
	Net	15,570,445	11,993,821	12,634,501	40,198,767
Fire	Gross	8,536,052	126,227,100	8,494,094,822	8,628,857,974
	Net	10,748,977	46,819,604	40,073,060	97,641,642
Other	Gross	21,204,671	206,843,350	2,754,088,074	2,982,136,095
	Net	42,053,719	147,300,280	510,952,962	700,306,960
Total	**Gross**	**48,129,566**	**376,953,012**	**11,280,406,274**	**11,705,488,852**
	Net	**68,373,141**	**206,113,705**	**563,660,523**	**838,147,369**

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 2011		Maximum insured loss			
Class of business		**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	**58,200,303**	**159,614,372**	**416,394,204**	**634,208,879**

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 2012 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**	
	2012	2011	**2012**	2011
	TShs '000	TShs '000	**TShs '000**	TShs '000
Neither past due nor impaired	**6,735,081**	8,757,933	**-**	-
Past due but not impaired	**935,044**	1,032,973	**2,916,944**	2,390,810
Impaired	**1,555,880**	1,375,508	**-**	-
Gross	**9,226,005**	11,166,414	**2,916,944**	2,390,810
Less: Provision for impairment	**1,555,880**	1,375,508	**-**	-
	7,670,125	9,790,906	**2,916,944**	2,390,810

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:

	2012 TShs '000	2011 TShs '000
Past due but not impaired:		
- by up to 30 days	**826,691**	764,889
- by 31 to 60 days	**53,769**	105,707
- by 61 to 150 days	**-**	-
- by 151 to 360 days	**54,584**	162,377
Total past due but not impaired	**935,044**	1,032,973

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

	2012 TShs '000	2011 TShs '000
Past due but not impaired:		
- by up to 30 days	**1,767,836**	2,296,926
- by 31 to 60 days	**26,825**	12,144
- by 61 to 150 days	**174,800**	17,124
- by 151 to 360 days	**947,483**	64,616
Total past due but not impaired	**2,916,944**	2,390,810

All impaired receivables have been individually assessed:

	Direct insurance arrangements		Reinsurance arrangements	
	2012 TShs '000	2011 TShs '000	2012 TShs '000	2011 TShs '000
Individually assessed impaired receivables				
- brokers	**1,389,982**	1,278,915	**-**	-
- direct clients	**165,898**	96,593	**-**	-
	1,555,880	1,375,508	**-**	-

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

	Direct 2012	Direct 2011	Reinsurance 2012	Reinsurance 2011
At beginning of year	**1,375,508**	1,293,710	-	-
Provision for impairment	**180,372**	81,798	-	-
At end of the year	**1,555,880**	1,375,508	**-**	-

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 2012, 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 TShs479 million lower/higher (2011:320 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 have resulted in the fair value reserve in the statement of changes in equity increasing/decreasing by TShs180 million (2011: TShs 169 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 for financial liabilities by remaining contractual maturities at the balance sheet date.

31 December 2012	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						
Insurance contract liabilities	-	-	15,107,062	2,910,614	-	**18,017,676**
Creditors arising from reinsurance arrangements	-	-	6,291,742	-	-	**6,291,742**
Other payables	-	914,640	-	-	-	**914,640**
Total financial liabilities (contractual maturity dates)	**-**	**914,640**	**21,398,804**	**2,910,614**	**-**	**25,224,058**
Assets						
Other receivables	1,581,750	4,745,440	427,468	-	-	**6,754,658**
Receivables arising out of reinsurance arrangements	-	-	2,916,944	-	-	**2,916,944**
Reinsurers' share of insurance liabilities	-	-	6,954,331	1,390,866	-	**8,345,197**
Receivables arising out of direct insurance arrangements	-	-	7,670,125	-	-	**7,670,125**
Government securities held to maturity	-	-	-	452,840	3,703,278	**4,156,118**
Corporate bonds	-	-	3,629,280	594,016	-	**4,223,296**
Available-for-sale equity investments	-	-	1,801,159	-	-	**1,801,159**
Deposits with financial institutions	1,791,260	639,688	4,616,826	-	-	**7,047,774**
Cash and bank balances	820,461	-	-	-	-	**820,461**
Total financial assets (expected maturity dates)	**4,193,471**	**5,385,128**	**28,016,133**	**2,437,722**	**3,703,278**	**43,735,732**
Net liquidity surplus	**4,193,471**	**4,470,488**	**6,617,329**	**(472,892)**	**3,703,278**	**18,511,674**

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 bond				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)

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 an insurance company conducting general insurance business to hold a minimum level of paid up capital of TShs 1,000 million;

As at period end, the Company had a share capital of 60,000 fully paid up shares totalingTShs6,000 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 TShs700 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 2012:

3 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

Solvency margin as at 31 December 2012	TShs' 000	Short term Business TShs' 000
Total admitted assets		26,786,770
Total admitted liabilities		22,654,874
a) Net Written Premium preceding year	10,192,126	
b) Net Written Premium current period	11,162,860	
Add: the greater of 700 million or 20% of net written premium		2,232,572
Total liabilities and minimum requirement		24,887,446
Excess admitted assets		1,899,324

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
Solvency margin		3,326,908

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	
	2012	2011	**2012**	2011
Financial assets				
Available for sale unquoted investments	**442,182**	442,182	**442,182**	442,182
Receivables arising out of direct insurance arrangements	**7,670,125**	9,790,906	**7,670,125**	9,790,906
Receivables arising out of reinsurance arrangements	**2,916,944**	2,390,810	**2,916,944**	2,390,810
Government securities	**4,156,118**	4,153,395	**3,833,646**	3,721,131
Corporate bonds	**4,223,296**	4,283,448	**4,181,522**	4,071,459
Deposits with financial institutions	**7,047,774**	5,582,549	**7,047,774**	5,582,549
Financial liabilities				
Insurance contract liabilities	**18,017,676**	23,481,041	**18,017,676**	23,481,041
Unearned premiums	**16,448,097**	16,908,943	**16,448,097**	16,908,943
Payables arising from reinsurance arrangements	**6,291,742**	8,799,632	**6,291,742**	8,799,632
Bank overdraft	**-**	751,577	**-**	751,577
Other payables	**914,640**	1,057,143	**914,640**	1,057,143

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); and

- 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 2012	**Level 1**	**Level 2**	**Level 3**	**Total**
Available-for-sale financial assets:				
– Available for sale quoted equity investments	1,801,159	-	-	1,801,159
31 December 2011				
Available-for-sale financial assets:				
– Available for sale quoted equity investments	1,693,721	-	-	1,693,721

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 21 and 29 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 beTshs3,834 million and TShs4,181 million (2011: Tshs3,721 million and Tshs4,071 million) 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:

	2012 TShs'000	2011 TShs'000
Motor	**5,253,276**	4,158,467
Fire	**19,842,953**	16,378,709
Accident	**8,434,052**	6,926,585
Marine	**1,574,748**	1,008,347
Engineering	**2,442,996**	1,616,506
Medical	**750,277**	999,478
Other	**1,151,130**	865,967
	39,449,432	31,954,059

6 INVESTMENT INCOME

	2012 TShs'000	2011 TShs'000
Interest from government securities	**498,203**	429,580
Interest from corporate bonds	**480,836**	406,319
Bank deposit interest	**657,490**	461,219
Dividends receivable	**154,788**	134,586
Profit on sale of investments	**-**	141,900
Fair value gain on impaired annual financial statements investment recycled to profit and loss	**-**	271,500
Impairment provision of investment in associate-Strategis	**(226,460)**	-
	1,564,857	1,845,104

7 SHARE OF PROFIT/(LOSS) OF ASSOCIATES

	2012 TShs'000	2011 TShs'000
Share of profit in Alliance Insurance Corporation Limited (Note 17)	**671,625**	690,750
Share of loss in Strategis Insurance (Tanzania) Limited (Note 17)	**(318,778)**	(702,519)
	352,847	(11,769)

8 OTHER INCOME

	2012 TShs'000	2011 TShs'000
Profit on disposal of property and equipment	**32,426**	12,329
Foreign exchange gain	**-**	321,333
Miscellaneous income	**446**	5,428
	32,872	339,090

9 INSURANCE CLAIMS

	2012 TShs'000	2011 TShs'000
Engineering	**323,049**	695,836
Fire commercial (*)	**(3,362,145)**	7,863,003
Fire domestic	**-**	55,123
Liability	**62,493**	156,854
Marine	**338,840**	(1,859)
Motor	**3,329,863**	2,790,787
Personal accident	**482,971**	440,048
Theft	**278,887**	217,694
Workman compensation	**(13,913)**	74,207
Miscellaneous	**5,408,706**	2,540,274
	6,848,751	14,831,967

(*) During the year there was reversal of fire claim provision ofShs4 billion following an assessment performed by the Company's loss adjuster.

10 OPERATING EXPENSES

	2012 TShs'000	2011 TShs'000
Staff costs	**2,228,434**	2,173,588
Auditors' remuneration	**73,301**	71,072
Depreciation and amortisation	**468,910**	465,006
Operating lease rentals	**430,647**	439,991
Repairs and maintenance expenses	**54,851**	42,950
Directors' fees	**39,900**	39,900
Marketing	**152,053**	349,486
Impairment loss on available for sale financial assets	**-**	11,508
Receivables impairment provision	**180,371**	81,798
Other operating expenses	**1,695,144**	1,056,383
	5,323,611	4,731,682

	2012 TShs'000	2011 TShs'000
Staff costs include the following:		
- Salaries and wages	**2,058,947**	2,020,670
- Social security benefit costs	**169,487**	152,918
	2,228,434	2,173,588

11 FINANCE COSTS

	2012 TShs'000	2011 TShs'000
Interest charge on overdraft facility	**16,655**	11,067

12 INCOME TAX EXPENSE

	2012 TShs'000	2011 TShs'000
Current income tax – current year	**2,688,787**	476,529
– prior years	**-**	(24,354)
Deferred income tax – current year	**(28,591)**	883
– prior years	**-**	112
	2,660,196	453,170

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:

	2012 TShs'000	2011 TShs'000
Profit before income tax	**5,582,632**	1,973,926
Tax calculated at the tax rate of 30%	**1,674,790**	592,178
Tax effect of:		
Expenditures permanently disallowed	**95,504**	27,274
Share of dividend	**-**	(40,376)
Depreciation on non-qualifying assets	**11,187**	13,054
Gain on disposal of Alliance	**1,035,074**	-
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)
Share of (profit)/loss of Associate	**(105,854)**	-
Income not deductible for tax purposes	**(50,505)**	3,531
	2,660,196	453,170

13 DIVIDEND

Proposed dividendsare accounted for as a separate component of equity until they have been ratified at an Annual General Meeting. A dividend of TShs964million is proposed for the year ended 31 December 2012 (2011: TShs 1.7 billion). 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 60,000 shares have been issued and fully paid (2011: 40,000 shares of TShs 100,000 each).

	2012 TShs'000	2011 TShs'000
Share capital	**6,000,000**	4,000,000
Contingency reserve	**3,728,632**	3,144,145
Capital reserve	**-**	1,438,929
Fair value reserve	**766,627**	1,536,844
Retained earnings	**3,199,326**	2,386,852
Proposed dividend	**964,404**	1,700,000
Balance at 31 December 2012	**14,658,989**	14,206,770

Note : The balance of Capital reserve has been transferred to Retained earnings during the year and has been used in issuing the bonus shares.

15 PROPERTY AND EQUIPMENT

Year ended 31 December 2012	Motor vehicles TShs'000	Furniture and equipment TShs'000	Total TShs'000
Cost			
At start of year	362,499	1,118,945	1,481,444
Additions	21,533	116,150	137,683
Disposals	(76,369)	(59,496)	(135,865)
At end of year	307,663	1,175,599	1,483,262
Accumulated depreciation			
At start of year	235,897	954,105	1,190,002
Charge for the year	60,569	144,227	204,796
Disposals	(76,369)	(51,084)	(127,453)
At end of year	220,097	1,047,248	1,267,345
Net book value at 31 December 2012	**87,566**	**128,351**	**215,917**

15 PROPERTY AND EQUIPMENT (CONTINUED)

Year ended 31 December 2011	Motor vehicles TShs'000	Furniture and equipment TShs'000	Total TShs'000
Cost			
At start of year	299,413	1,048,995	1,348,408
Additions	116,330	82,474	198,804
Disposals	(53,245)	(12,524)	(65,769)
At end of year	362,498	1,118,945	1,481,443
Accumulated depreciation			
At start of year	215,518	834,733	1,050,251
Charge for the year	73,624	127,267	200,891
Disposals	(53,245)	(7,895)	(61,140)
At end of year	235,897	954,105	1,190,002
Net book value at 31 December 2011	**126,601**	**164,840**	**291,441**

16 INTANGIBLE ASSETS – COMPUTER SOFTWARE

	2012 TShs'000	2011 TShs'000
Cost		
At start of year	**792,344**	777,407
Additions	**-**	14,937
At end of year	**792,344**	792,344
Amortisation		
At start of year	**523,251**	259,136
Charge for the year	**264,114**	264,115
At end of year	**787,365**	523,251
Net book value at 31 December	**4,979**	269,093

17 HELD FOR SALE INVESTMENT IN ASSOCIATES

	2012 TShs'000	2011 TShs'000
At start of year	**6,631,078**	5,700,451
Additions – Strategis shares	**-**	783,600
Dividends received	**(569,250)**	(176,904)
Share of lossofStrategis Insurance (Tanzania) Limited	**(318,778)**	(702,519)
Share of profit of Alliance Insurance Corporation Limited	**671,625**	690,750
Share of AFS reserve of Alliance Insurance	**321,750**	335,700
Share of AFS reserve of Strategis Insurance	**5,835**	-
Provision for impairment -Strategis Insurance	**(226,460)**	
Disposal of Alliance Insurance shares	**(5,693,231)**	-
At end of year	**822,569**	6,631,078

During the year the Company sold its investment in Alliance. The profit from the sale of investment is disclosed under Note 18.

The Company's investment in Strategis Insurance (Tanzania) Limited , an associate, has been reclassified as Held For Sale in accordance with the requirements of IFRS 5 as the Board approved the disposal of the investment during the year ended 31 December 2012. It is expected that the disposal will take place during 2013. In accordance with IFRS 5, the investment in Strategis has been measured at the lower of its carrying amount and fair value less cost to sale. An impairment loss of Shs 226,460,000 has been recognised in profit or loss and is included under investment income.

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 2012					
Strategis Insurance (Tanzania) Limited	39.18%	2,976,807	1,866,533	2,007,465	(318,778)
Year ended 31 December 2011					
Alliance Insurance Corporation Limited	45%	21,773,700	16,433,100	4,597,650	915,300
Strategis Insurance (Tanzania) Limited	39.18%	3,113,686	1,684,633	4,007,055	(711,844)
		24,887,386	**18,117,733**	**8,604,705**	**203,456**

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

18 PROFIT ON DISPOSAL OF INVESTMENT IN ALLIANCE

	2012 TShs'000
At start of year	**5,269,107**
Dividend received	**(569,250)**
Share of profit	**671,625**
Share of AFS reserve	**321,750**
Transfer to profit or loss of share of other comprehensive income	**(1,205,240)**
Proceeds on sale of shares	**(8,116,000)**
	(3,628,008)

19 AVAILABLE FOR SALE QUOTED EQUITY INVESTMENTS

	2012 TShs'000	2011 TShs'000
At start of year	**1,693,721**	1,585,924
Additions	**-**	-
Disposal	**-**	(333,000)
Impairment loss	**-**	(11,507)
Fair value gain	**107,438**	452,304
At end of year	**1,801,159**	1,693,721

DETAILS	% Interest held		
TBL Shares	0.03	**300,000**	202,000
Tatepa Shares	0.29	**20,458**	13,553
Tanga Cement Shares	0.08	**123,936**	122,903
TOL Shares	0.24	**25,965**	19,973
CRDB Shares	0.25	**831,840**	956,616
NMB Shares	0.09	**498,960**	378,676
		1,801,159	1,693,721

20 AVAILABLE FOR SALE UNQUOTED EQUITY INVESTMENT

At start of year	**442,182**	209,407
Additions	**-**	232,775
At end of year	**442,182**	442,182

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

	2012 TShs'000	2011 TShs'000
Reinsurers' share of:		
Unearned premium	**12,499,171**	13,351,382
Notified claims outstanding	**6,954,332**	12,341,124
Claims incurred but not reported	**1,390,866**	2,018,278
	20,844,369	27,710,784

22 DEFERRED ACQUISITION COST/(INCOME)

	2012	2011
Cost		
At start of year	**1,134,934**	841,896
Addition	**4,041,260**	2,836,015
Amortisation charge	**(3,677,322)**	(2,542,977)
At end of year	**1,498,872**	1,134,934
Income		
At start of year	**(1,464,682)**	(1,132,709)
Addition	**(3,812,668)**	(3,495,202)
Amortisation charge	**3,751,292**	3,163,229
At end of year	**(1,526,058)**	(1,464,682)

23 DEFERREDTAX ASSET

Deferred tax is calculated, on all temporary differences under the liability method using a principal tax rate of 30% (2011: 30%). The movement on the deferred income tax account is as follows:

	2012 TShs'000	2011 TShs'000
At start of the year	**253,614**	254,609
Credit/(charge) to profit or loss (Note 12)	**28,591**	(995)
At end of the year	**282,205**	253,614

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

23 DEFERREDTAX ASSET(CONTINUED)

Year ended 31 December 2012	1 January 2012 TShs'000	Charge/ (credit) to profit orloss TShs'000	31 December 2012 TShs'000
Property and equipment	137,645	31,591	169,236
Other temporary differences	115,969	(3,000)	112,969
Deferred income tax asset	**253,614**	**28,591**	**282,205**
Year ended 31 December 2011			
Property and equipment	106,007	31,638	137,645
Other temporary differences	148,602	(32,633)	115,969
	254,609	**(995)**	**253,614**

24 OTHER RECEIVABLES

	2012 TShs'000	2011 TShs'000
Due from other related companies	**12,088**	115,109
Sundry debtors and prepayments	**415,380**	246,499
Due from related company-Mac Group Ltd	**6,327,190**	-
	6,754,658	361,608
Current	**6,754,658**	361,608

25 GOVERNMENT SECURITIES HELD TO MATURITY

Treasury bills and bonds maturing after 12 months	**4,156,118**	4,153,395
Non current	**4,156,118**	4,153,395

26 CORPORATE BONDS HELD TO MATURITY

	2012 TShs'000	2011 TShs'000
At start of year	**4,283,448**	3,132,511
Addition	**-**	1,100,000
Interest	**2,348**	50,937
Repayment of principal amount	**(62,500)**	-
At end of year	**4,223,296**	4,283,448

27 DEPOSITS WITH FINANCIAL INSTITUTIONS

	2012	2011
Deposits with maturity of 90 days or less	**2,534,439**	2,402,689
Deposits with maturity of more than 90 days and less than 1 year	**4,513,335**	3,179,860
	7,047,774	5,582,549

Effective interest rates

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

	2012 %	2011 %
Government securities	**11**	9
Deposits with financial institutions	**12**	3
Corporate bonds	**13**	10

28 CASH AND CASH EQUIVALENTS

	2012 TShs'000	2011 TShs'000
Cash and bank balances		
Cash at bank	**817,012**	1,330,282
Cash in hand	**3,449**	1,724
	820,461	1,332,006

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

	2012 TShs'000	2011 TShs'000
Cash and bank balances	**820,461**	1,332,006
Deposits with financial institutions maturing within 90 days (Note 27)	**2,534,439**	2,402,689
	3,354,900	3,734,695

29 INSURANCE CONTRACT LIABILITIES

	2012 TShs'000	2011 TShs'000
Short term non-life insurance contracts:		
Claims reported and claims handling expenses	**15,107,062**	20,349,814
Claims incurred but not reported	**2,910,614**	3,131,227
Total - short term	**18,017,676**	23,481,041
Current	**18,017,676**	23,481,041

Short term non-life insurance contracts

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 2012 and 2011 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	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**Total**
	TShs'000	**TShs'000**	**TShs'000**	**TShs'000**	**TShs'000**	**TShs'000**		**TShs'000**
Estimate of ultimate claims costs:								
At end of accident year	6,254,594	11,296,118	10,060,411	25,270,124	13,008,318	19,784,557	14,721,910	90,237,931
One year later	4,259,455	11,431,037	10,667,847	24,619,611	9,303,852	15,663,171	-	63,789,013
Two years later	4,259,455	9,580,028	10,854,694	22,638,542	23,341,512	-	-	51,282,313
Three years later	4,482,101	5,735,184	10,042,119	9,322,537	-	-	-	24,208,998
Four years later	4,751,957	5,082,103	5,463,849	-	-	-	-	13,883,827
Five years later	4,429,346	4,500,435	-	-	-	-	-	9,244,237
Six years later	4,756,814	-	-	-	-	-	-	4,552,153
Current estimate of cumulative claims	4,756,814	4,500,435	5,463,849	9,322,537	23,341,512	15,663,171	14,721,910	77,770,228
Less: cumulative payments to date	(4,373,116)	(3,886,173)	(3,889,214)	(8,435,234)	(22,025,776)	(12,154,394)	(5,506,733)	(60,270,640)
Liability in the balance sheet	383,698	614,262	1,574,635	887,303	1,315,736	3,508,777	9,215,177	17,499,588
Liability in respect of prior years	-	-	-	-	-	-	-	518,088
Total gross claims liability included in the balance sheet at 31 December 2012								**18,017,676**
Total gross claims liability included in the balance sheet at 31 December 2011								**23,481,041**

Movement in insurance liabilities and reinsurance assets are shown in note 33.

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			2012			2011
	Gross	Re-insurance	Net	Gross	Re-insurance	Net
	TShs'000	TShs'000	TShs'000	TShs'000	TShs'000	TShs'000
At beginning of year	16,908,943	13,351,382	3,557,561	11,545,195	8,315,904	3,229,291
Increase in the year (net)	(460,846)	(852,211)	391,365	5,363,748	5,035,478	328,270
At end of year	**16,448,097**	**12,499,171**	**3,948,926**	**16,908,943**	**13,351,382**	**3,557,561**
Unexpired risk provision						
At beginning of year	-	-	-	-	-	11,326
Increase in the year (net)	-	-	-	-	-	(11,326)
At end of year	**-**	**-**	**-**	**-**	**-**	**-**
Total as per balance sheet	**16,448,097**	**12,499,171**	**3,948,926**	**16,908,943**	**13,351,382**	**3,557,561**

NOTES (CONTINUED)

31 PAYABLES ARISING FROM REINSURANCE ARRANGEMENTS

	2012 TShs'000	2011 TShs'000
International facultative	**4,443,459**	6,339,989
Local facultative	**2,348,700**	1,164,621
Treaty reinsurance	**(500,417)**	1,295,022
	6,291,742	8,799,632

32 OTHER PAYABLES

	2012 TShs'000	2011 TShs'000
Due to related companies	**331,485**	190,193
Accrued expenses	**583,155**	866,950
	914,640	1,057,143

33 MOVEMENTS IN INSURANCE LIABILITIES AND REINSURANCE ASSETS

Short term insurance business

			2012			2011
	Gross	Re-insurance	Net	Gross	Re-insurance	Net
	TShs'000	TShs'000	TShs'000	TShs'000	TShs'000	TShs'000
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
Total at beginning of year	23,481,042	14,359,402	9,121,640	16,735,569	8,286,417	8,449,152
Cash paid for claims settled in year	(12,312,116)	(7,471,041)	(4,841,075)	(8,086,495)	(3,291,306)	(4,795,188)
Increase in liabilities:						
arising from current year claims	(2,296,587)	(3,797,621)	1,501,034	12,063,313	9,424,464	2,638,849
arising from prior year claims	9,145,338	5,254,457	3,890,881	2,768,654	(60,173)	2,828,827
Total at end of year	**18,017,676**	**8,345,197**	**9,672,480**	**23,481,041**	**14,359,402**	**9,121,640**
Notified claims	15,107,062	6,954,331	8,152,731	20,349,815	12,341,124	8,008,691
Incurred but not reported	2,910,614	1,390,866	1,519,748	3,131,227	2,018,278	1,112,949
	18,017,676	**8,345,197**	**9,672,479**	**23,481,041**	**14,359,402**	**9,121,640**

34 CASH GENERATED FROM OPERATIONS

	2012 TShs'000	2011 TShs'000
Reconciliation of the Company's profit before income tax to cash generated from operations:		
Profit before income tax	**5,582,632**	1,973,927
Adjustments for:		
Dividend income	**(154,787)**	(134,586)
Interest income	**(1,636,530)**	(1,297,118)
Profit on sale of Alliance shares	**(3,628,008)**	-
Gain on sale of investments	**-**	(24,900)
Gain on sale of quoted shares	**-**	(388,500)
Depreciation expense (Note 15)	**204,796**	200,891
Amortisation expense (Note 16)	**264,115**	264,115
Impairment of available for sale financial assets	**226,460**	11,508
Profit on sale of property and equipment	**(32,426)**	(12,329)
Share of results of associate (Note 7)	**(352,847)**	11,769
Changes in:		
- Insurance contract liabilities, unearned premiums and reinsurers share of insurance liabilities	**942,204**	1,472,941
- Payables arising from reinsurance arrangements, deferred acquisition income and other payables	**(3,340,594)**	7,124,539
- Receivables from direct and reinsurance arrangements and other receivables	**(5,162,342)**	(4,682,067)
Cash (utilized in)/generated from operations	**(7,087,327)**	4,520,190

35 FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables TShs '000	Held to maturity TShs '000	Available for sale TShs '000	Total TShs '000
31 December 2012				
Financial assets				
Cash and balances with banks	817,012	-	-	817,012
Government securities held-to-maturity	-	4,156,118	-	4,156,118
Deposits with financial institutions	7,047,774	-	-	7,047,774
Available-for-sale quoted equity investments	-	-	1,801,159	1,801,159
Available-for-sale unquoted investment	-	-	442,182	442,182
Corporate bonds	-	4,223,296	-	4,223,296
Receivables arising out of direct insurance arrangements	7,670,125	-	-	7,670,125
Receivables arising out of reinsurance arrangements	2,916,944	-	-	2,916,944
Reinsurers' share of insurance liabilities	20,844,369	-	-	20,844,369
Other receivables	6,754,658	-	-	6,754,658
	46,050,882	**8,379,414**	**2,243,341**	**56,673,637**

35 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

31 December 2012 Financial liabilities	Other liabilities at amortisedcost
Insurance contract liabilities	**18,017,676**
Payables arising from reinsurance arrangements	**6,291,742**
Other payables	**914,640**
	25,224,058

	Loans and advances TShs '000	Held to maturity TShs '000	Available for sale TShs '000	Total TShs '000
31 December 2011				
Financial assets				
Cash balances with banks	1,330,282	-	-	1,330,282
Government securities held-to-maturity	-	4,153,395	-	4,153,395
Deposit 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
Receivables arising out of direct insurance arrangements	9,790,906	-	-	9,790,906
Receivables arising out of reinsurance arrangements	2,390,810	-	-	2,390,810
Reinsurers' share of insurance liabilities	27,710,784	-	-	27,710,784
Other receivables	361,608	-	-	361,608
Corporate bonds	-	4,283,448	-	4,283,448
	47,166,939	**8,436,843**	**2,135,903**	**57,739,685**

31 December 2011 Financial liabilities	Other liabilities at amortisedcost
Bank overdraft	751,577
Insurance contract liabilities	23,481,041
Payables arising from reinsurance arrangements	8,799,632
Other payables	1,057,143
	34,089,393

36 FAIR VALUE RESERVE

	2012 TShs'000	2011 TShs'000
At start of year	**1,536,844**	1,020,340
Gains from changes in fair value	**107,438**	452,304
Transfer to profit or loss of fair value (gain)/ loss on disposed AFS	**-**	(271,500)
Share of other comprehensive income of Alliance recycled to profit or loss	**(1,205,240)**	335,700
Share of other comprehensive income of associates	**327,585**	-
At end of year	**766,627**	1,536,844

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 totallingTShs 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 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 oneassociated other insurance company; Strategis Insurance (Tanzania) Limited.

The following transactions were carried out with related parties:

i) Transactions with Associated Companies	2012 TShs'000	2011 TShs'000
Gross earned premium		
Strategis Insurance (Tanzania) Limited-associate	**750,277**	999,478
Alliance Insurance Corporation Limited- former associate	**89,066**	161,501
	839,343	1,160,979
Net claims incurred		
Strategis Insurance (Tanzania) Limited- associate	**553,993**	1,984,205
	553,993	1,984,205

38 RELATED PARTY TRANSACTIONS (CONTINUED)

	2012	2011
	TShs'000	TShs'000
iii) Outstanding balances payable to related parties		
The Heritage Insurance Company Limited Kenya- *immediate parent*	**130,321**	12,980
Strategis Insurance Company Limited- associate	**690,057**	1,612,756
Alliance Insurance Corporation- former associate	**471,179**	141,748
	1,291,557	1,767,484
iv) Outstanding balances receivable from related parties		
Staff loans	**48,398**	78,660
Strategis Insurance- associate	**719,282**	999,478
CFC Stanbic group of companies	**-**	99,483
Due from CFC Life	**-**	698
Alliance Insurance Corporation- former associate	**313,683**	356,664
Mac Group Limited- *shareholder*	**6,327,190**	
Liberty Africa	**-**	11,651
	7,408,553	1,546,634
v) Directors' remuneration		
Names of directors		
Yogesh. M. Manek	**7,500**	7,500
Vinod K. Dhall	**5,600**	5,600
StephenLugalia	**5,600**	5,600
Mike du Toit	**5,000**	5,000
Jeremiah. G. Kiereini	**2,800**	5,600
John. H. D. Milne	**5,600**	5,600
Juma. V. Mwapachu	**5,000**	5,000
Peter N. Gethi	**2,800**	-
At end of the year	**39,900**	39,900

Sitting allowance for the period to 31 December 2012 was TShs600,000 for each director (2011: TShs600,000).

vi) Key management compensation	2012	2011
	TShs'000	TShs'000
Salaries and other short-term employee benefits	**1,033,606**	942,688
Post employment benefits	**92,419**	84,004
	1,126,025	1,026,692

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.

GENERAL INSURANCE BUSINESS REVENUE ACCOUNT 2012

Class of insurance Business	Engineering	Fire Industrial	Liability	Marine	Motor Commercial	Private	Personal Accident	Theft	Workmen's Compensation	Miscellaneous	2012 Total	2011 Total
Class code	**2**	**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**
Gross premium written	2,737,238	18,205,929	3,279,711	1,670,307	2,093,013	3,532,936	1,771,453	238,485	806,746	4,652,768	38,988,586	37,317,807
Change in gross UPR	(294,242)	1,637,024	(199,398)	(95,558)	59,174	(431,847)	87,885	(33,691)	(39,256)	(229,245)	460,846	(5,363,748)
Gross earned premiums	2,442,996	19,842,953	3,080,313	1,574749	2,152,187	3,101,089	1,859,338	204,794	767,490	4,423,523	39,449,432	31,954,059
Less: reinsurance payable	2,125,846	19,005,228	2,133,806	1,274,404	500,474	666,052	530,739	46,202	475,587	1,919,599	28,677,937	22,562,387
Net earned premiums	317,150	837,725	946,507	300,345	1,651,713	2,435,037	1,328,599	158,592	291,903	2,503,924	10,771,495	9,391,672
Net Written	*421,375*	*850,617*	*956,031*	*299,091*	*1,568,187*	*2,739,586*	*1,256,712*	*183,741*	*618,908*	*2,268,612*	*11,162,860*	*10,192,127*
Gross claims paid	344,584	3,541,195	60,397	21,610	700,342	1,905,356	304,653	158,397	24,395	5,251,187	12,312,116	8,086,493
Change in gross o/s claims	(21,535)	(6,903,340)	2,096	317,230	654,439	69,726	178,318	120,491	(38,309)	157,518	(5,463,366)	6,745,472
Less: Reinsurance recoverable	246,767	(3,938,495)	(78,564)	213,723	294,949	673,910	208,331	114,104	880	3,655,256	1,390,861	9,364,291
Net claims incurred	76,282	576,350	141,057	125,117	1,059,832	1,301,172	274,640	164,784	(14,794)	1,753,449	5,457,889	5,467,674
Commission receivable	(417,857)	(2,079,154)	(220,625)	(229,828)	(88,289)	(116,365)	(294,462)	(28,085)	(42,665)	(190,700)	(3,708,030)	(3,163,229)
Commission payable	285,458	1,213,745	217,445	223,995	288,987	383,547	487,598	94,577	138,570	343,401	3,677,322	2,542,976
Expenses of management	206,227	601,239	489,464	146,137	707,599	1,194,572	259,717	35,102	118,877	682,578	4,441,512	4,450,760
Total expenses and commissions	73,828	(264,170)	486,284	140,304	908,297	1,461,754	452,853	101,594	214,782	835,279	4,410,805	3,830,507
Underwriting profit/(loss)	**167,040**	**525,545**	**319,166**	**34,924**	**(316,416)**	**(327,889)**	**601,106**	**(107,786)**	**91,915**	**(84,804)**	**902,801**	**93,491**
Key ratios												
Loss ratio	24%	69%	15%	42%	64%	53%	21%	104%	-5%	70%	51%	58%
Commission ratio	10%	7%	7%	13%	14%	11%	19%	16%	17%	11%	10%	7%
Expense ratio	8%	3%	15%	9%	34%	34%	15%	15%	15%	15%	11%	12%

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 Compe-nsation	Miscellaneous	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	1,616,500	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	1,430,143	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	693,197	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%