2010
Annual Report And Financial Statements

Heritage
Insurance Co

Contents

Heritage
Insurance Co

Company Information

1 Directors
The directors of the Company at the date of this report, all of whom have served since 1 January 2010, are shown on page 4.

2 Company Secretary
Gemma Moshy
P O Box 78196
Dar es Salaam

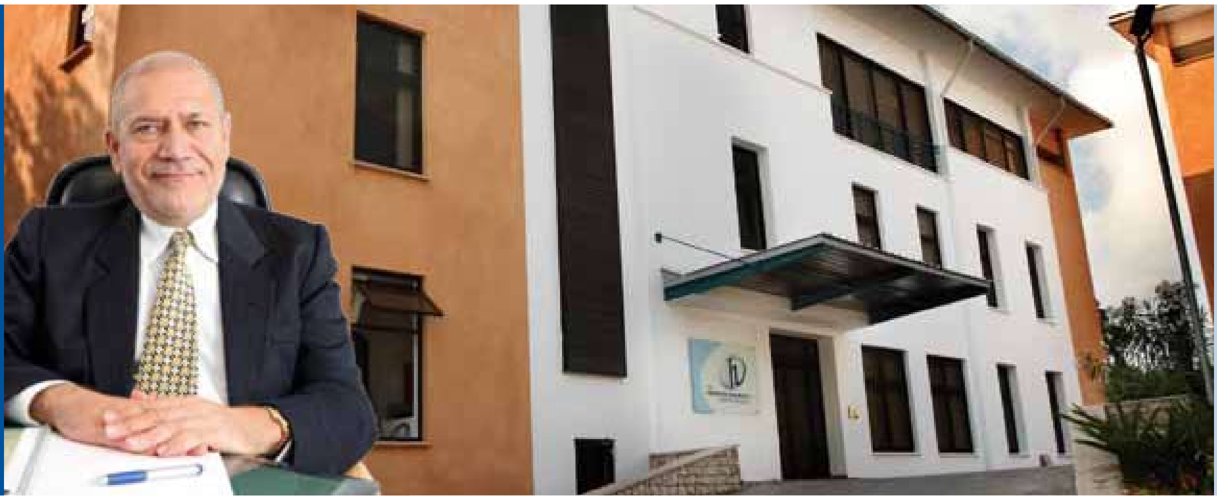
3 Senior Management
Paul Lewis, FCII, MAP	-	Chief Executive Officer
Anil Chopra, MBA, AIII	-	Deputy Chief Executive Officer
D. Mitoko, B.Com, ACII	-	Underwriting Manager
J. Kazimoto, B.A, CPA	-	Chief Financial Officer
F. Dogo, Fiisa, Aiisa, MBA	-	Claims Manager

4 Independent Auditors
PricewaterhouseCoopers
6th Floor, International House
Garden Avenue
P O Box 45
Dar es Salaam

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


Heritage Tanzania staff and management team

Chairman's Statement



1 Introduction
I have once again the pleasure to report a successful trading year which confirms your Company's status, not only in Tanzania but also in the East African market as a whole.

2 Market Conditions
The global financial crisis continued to affect the economy with reductions in foreign direct investments and development aid. This has impacted a number of new projects and the anticipated economic growth. The government has continued to embark on ambitious development programmes in the infrastructure and agriculture which will see increased activities in these areas in the coming year. As the world economy comes out of recession, growth in mining and oil and gas exploration is likely to be seen. Opportunities still remain in the personal insurance segment comprising the upcoming middle class as well as in the small and medium scale enterprises segment which largely remain uninsured. Your Company is taking initiatives to introduce products that serve these segments of the market.

The Insurance Market in Tanzania has continued to see new players in the market with two previous brokers becoming insurance companies and new companies being registered. The Association of Tanzania Insurers continues to work to ensure market stability and discipline and introduced a Market Best Practice Code on premium rating in certain classes of insurance.

3 Business Performance
Your Company continues to perform strongly and has delivered a better underwriting result at an underwriting margin of 8% (2009: 8%). This was achieved as a result of better managed underwriting processes where corrective measures were taken to address the poor performing businesses and has yielded better loss ratios in almost all classes of business. Our Investment income performed better and registered growth of 73% over the previous year and is attributed to better yielding investments. All other financial indicators have remained strong and have placed the Company in a favourable position to continue playing the leading role in an expanding market.

The profits before tax and after tax are up 27% and 21%, respectively, despite a drop in our Gross Written Premiums (GWP) which fell by 2%. With TShs 33.5 billion in GWP, your Company continues to be the market leader in Tanzania, by a generous margin and one of the leading pure Property and Casualty insurers in East Africa.
Net written premiums did not grow as rapidly as anticipated as the initiatives to write more business on the net account were delayed in 2010. These initiatives are expected to contribute significantly to the 2011 results.

4 Reinsurance
The global reinsurance market continued on the corrective course due to positive Underwriting and Investment results and reinsurance terms generally softened moderately. One of our lead reinsurance companies, Munich Re exited the Tanzanian market. It was therefore necessary to restructure our reinsurance programme by introducing new reinsurers and increasing the share of certain existing reinsurers. We continue to deal with reinsurers of the highest quality ratings and have full confidence in these securities.

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

Chairman's Statement *(continued)*

5 Operations

There were no major losses reported in the year and this can be evidenced by the better loss ratio recorded at 57% compared to 61% in the previous year. Various underwriting measures that were put in place from the beginning of 2010 have contributed significantly towards achieving the reduced losses and these disciplines will continue to be applied.

The Computer System which has been developed for the past two years will be fully operational in the coming year and will enable our operations to make better use of the IT platform and cost efficiencies to pursue the strategic business initiatives particularly on net account growth.

Operating expenses were higher than the bench mark of 10% partly due to lower Net Written Premium and costs on initiatives on SME products. This position will remain until the initiatives on SME business start contributing to the net account.

The underwriting profit of TShs 828 million is 11% higher than 2009 and we are set to maintain this margin in the coming years with emphasis on well disciplined underwriting processes.

The pre-tax profit of TShs 3,318 million is 27% higher than 2009 giving a return to shareholders of 25% which is in excess of the international benchmark of 20%.

6 Investments

Investments continue to be guided by the 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. The improvement in investment returns is referred to in paragraph 3 above.

Our Investments in Associates continue to deliver reasonable returns.
The company is well positioned to take advantages of opportunities to be offered by the coming integration of the East African Capital Markets in the later part of 2011.

7 Prospects for 2011

Heritage will continue to maintain its position as the premier insurance brand in Tanzania and is well positioned to deliver on its vision of becoming the preferred risk carrier to its core market segment.
Initiatives which started in 2010 to serve the uninsured segments of the market, particularly SME business, is well underway and we are well positioned to serve these markets.

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

8 Thanks and Acknowledgements

My thanks go to our clients, be they through brokers or direct insurance buyers, for their support during the past year. We are mindful of the fact that the sole purpose of our business is to support them and their business. We strive to do this as well as we can and welcome your advice on how we can improve.
The Company's employees are ultimately what give Heritage its reputation, and I thank them for flying the Company's colours high.

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

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

Y M MANEK
CHAIRMAN
DATE

Report of the Directors

1 The Directors submit their report together with the audited financial statements for the year ended 31 December 2010, 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 01 January 2010, except where otherwise stated, are:-

Directors:

Name	Position	Nationality	Date of appointment/ resignation
Y. M. Manek	Chairman	Tanzanian	
N. L. Chohan	Director	Tanzanian	
J. G. Kiereini	Director	Kenyan	
C. Njonjo	Director	Kenyan	Resigned on 05/05/2010
J. H. D. Milne	Director	South African	
Mike du Toit	Director	South African	Appointed on 10/08/2010
J. V. Mwapachu	Director	Tanzanian	
S. Lugalia	Director	Kenyan	

Alternate director:

Name	Position	Nationality	Date of appointment/ resignation
V. K. Dhall	Alternate to Mr N. L. Chohan	Indian	

7 Company Limited Secretary
The Company's secretary as at 31 December 2010 was Mrs. Gemma Moshy.

Corporate Governance

Heritage
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Corporate Governance Report

8 The Board of Directors consists of 8 Directors. None of the Directors hold executive positions in the Company. The Board takes overall responsibility for the Company, including responsibility for identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters, and reviewing the performance of management business plans and budgets. The Board is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operative, and for compliance with sound corporate governance principles.

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

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

Board Audit and Risk Committee

No	Name	Position
1	J. G. Kiereini	Chairman
2	V. K. Dhall	Member
3	J. H. D. Milne	Member
4	S. Lugalia	Member

Board Investment Committee

No	Name	Position
1	Y. M. Manek	Chairman
2	J. H. D. Milne	Member
3	V. K. Dhall	Member

Board Human Resources and Remuneration Committee

No	Name	Position
1	J. H. D. Milne	Chairman
2	Y. M. Manek	Member

During the year, there were 5 Board meetings (1 of which was a special meeting). There were also 4 Audit and Risk Committee meetings, 9 Investment Committee meetings and 2 Board Human Resources and Remuneration Committee meetings.

Corporate Governance Report *(continued)*

9 Risk Management And Internal Control

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

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

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

The Board assessed the internal control systems throughout the financial year ended 31 December 2010 and is of the opinion that they met accepted criteria.

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

10 Capital Structure

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

11 Management Team

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

- Deputy Chief Executive Officer
- Chief Financial Officer
- Underwriting Manager
- Claims Manager
- Human Resources Officer and
- Information Technology Officer

12 Shareholders Of The Company

The total number of shareholders during the year 2010 is 2 (2009: 2 shareholders). None of the Directors are holding significant shares of the Company.

The Shares of the company are held as follows:

Name of the Shareholder	2010 number of Shares	2009 number of shares
Heritage Insurance Company Limited	24,000	17,100
Mac Group Tanzania Limited	16,000	11,400
	40,000	28,500

Corporate Governance Report *(continued)*

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

Based on gross premium written in the current year, the Company is the largest private insurance Company in Tanzania. After deducting reinsurance premium, the Company registered net earned premium of TShs 11,362 million (2009: TShs 9,951million).

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 had a net profit after tax for the year of TShs 2,528 million (2009: TShs 2,080 million).

The audited financial statements for the year are set out on pages 15 to 53.

15 Transfers to Reserve
An amount of TShs 506 million (2009: TShs 416 million), has been transferred from the Retained Earnings to a Contingency Reserve, in accordance with Regulation 27 (2) (b) of the Insurance Act 2009.

A further amount of TShs 506 million (2009: TShs 416 million) representing 20% of after tax profits, has been transferred to a Capital Reserve account as required under section 27(1) (c) of the Insurance Act.

16 Dividend
The Directors propose payment of a dividend of TShs 834 million equivalent to TShs 20,858 per share, (2009: TShs 687 million, equivalent to TShs 24,095 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 risks that may significantly affect the Company's strategies and development are mainly financial risks, insurance risks, credit risks, debt and equity market prices, foreign currency exchange rates 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 2010. 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.

Corporate Governance Report *(continued)*

21 Employees' Welfare *(continued)*

Training facilities

During the year the Company spent TShs 32 million (2009: TShs 52) for staff training in order to improve employee's technical skills and hence effectiveness. Training programs have been and are continually being developed to ensure employees are adequately trained at all levels. All employees have some form of annual training to upgrade skills and enhance development.

Medical assistance

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

Persons with disabilities

Applications for employment by disabled persons are always considered, bearing in mind the aptitudes 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 disabled persons 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 48 (2009: 46).

22 Gender Parity

The Company had 48 employees, out of which 24 were female and 24 were male (2009: female 23, male 23).

23 Related Party Transactions

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

24 Political and Charitable Donations

The Company did not make any political donations during the year. Donations made to charitable and other organizations during the year amounted to TShs 14.9 million (2009: TShs 9.8 million).

25 Relationship with Stakeholders

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

26 Corporate Social Responsibility (CSR)

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

27 Auditors

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office and are eligible for re-appointment. A resolution proposing an appointment of the Company's auditors for the year ending 31 December 2011 will be put to the Annual General Meeting.

By Order of he Board

Y M MANEK
CHAIRMAN
DATE

Statement of Directors' Responsibilities

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

The Directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 2010. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

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

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

Y M MANEK
CHAIRMAN
DATE

V K DHALL
DIRECTOR

Report on the Financial Statements

We have audited the accompanying financial statements of The Heritage Insurance Company Tanzania Limited, which comprise the balance sheet at 31 December 2010, the profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of the Company's financial affairs at 31 December 2010 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.

PRICEWATERHOUSECOOPERS

PriceWaterhouseCoopers
Certified Public Accountants
Dar es Salaam

Signed by: Leonard C Mususa **Date: 23/05/2011**

Financial
Reports

Heritage
Insurance Co

Financial Statements for the year ended 31st December 2010

	Notes	2010 TShs'000	2009 TShs'000
Insurance premium revenue	5	36,105,762	32,225,698
Insurance premium ceded to reinsurers		(24,743,423)	(22,274,225)
Net insurance premium revenue		**11,362,339**	**9,951,473**
Investment income	6	1,246,796	719,255
Commission earned		3,836,293	3,524,897
Other income	8	693,826	433,702
Net income		**17,139,254**	**14,629,327**
Insurance claims	9	(9,413,673)	(24,348,751)
Insurance claims recovered from reinsurers		2,979,497	18,232,443
Net insurance claims		**(6,434,176)**	**(6,116,308)**
Operating expenses	10	(4,845,153)	(3,672,546)
Commission expense		(3,581,752)	(3,137,267)
Profit from operations		**2,278,173**	**1,703,206**
Share of profit from associates	7	1,040,576	900,256
Profit before income tax		**3,318,749**	**2,603,462**
Income tax expense	12	(790,474)	(522,494)
Profit for the year		**2,528,275**	**2,080,968**
Dividends:			
Proposed final dividend for the year	13	834,331	686,720
Profit for the year		**2,528,275**	**2,080,968**
Gain/(loss) on fair valuation of available for sale financial assets	20	72,230	(87,053)
Transfer to profit and loss account of fair value loss on impaired available for sale (AFS) investments		151,169	-
Share of other comprehensive income/(loss) of an associate	18	78,004	(4,550)
Total comprehensive income for the year		**2,829,678**	**1,989,365**

Financial Statements for the year ended 31st December 2010 *(continued)*

	Notes	2010 TShs'000	2009 TShs'000
ASSETS			
Property and equipment	15	298,157	333,985
Intangible assets	16	518,271	-
Investment in associates	18	5,700,451	4,705,591
Advance towards an investment in equity	19	2,071,694	-
Available-for-sale quoted equity investments	20	1,585,924	1,375,650
Available-for-sale unquoted investment	17	209,407	205,123
Receivables arising out of direct insurance arrangements		2,092,179	9,636,018
Receivables arising out of reinsurance arrangements		3,730,970	2,593,140
Reinsurers' share of insurance liabilities	21	17,074,504	29,232,033
Deferred acquisition cost	22	841,896	1,125,207
Deferred income tax	30	254,609	198,660
Tax recoverable		-	326,164
Other receivables	23	259,453	894,383
Government securities	24	1,625,058	3,110,709
Corporate bonds	25	3,132,511	542,196
Deposits with financial institutions	26	6,137,600	5,936,825
Cash and bank balances	32	707,366	1,975,277
Total assets		**46,240,050**	**62,190,961**
EQUITY			
Share capital	14	4,000,000	2,850,000
Contingency reserve		2,838,381	2,332,726
Capital reserve		1,134,779	1,204,124
Fair value reserve		1,020,342	718,939
Retained earnings		3,176,007	2,381,653
Proposed dividend		834,331	686,720
Total equity		**13,003,840**	**10,174,162**

Financial Statements for the year ended 31st December 2010 *(continued)*

	Notes	2010 TShs'000	2009 TShs'000
Liabilities			
Insurance contract liabilities	27	16,735,569	25,341,917
Unearned premiums	29	11,545,195	14,143,604
Payables arising from reinsurance arrangements		2,916,080	10,104,302
Deferred acquisition income	22	1,132,710	1,765,895
Tax recoverable		6,950	-
Other payables	31	629,160	661,081
Bank overdraft		270,546	-
Total liabilities		**33,236,210**	**52,016,799**
Total equity and liabilities		**46,240,050**	**62,190,961**

The financial statements on pages 15 to 64 were approved for issue by the board of directors on 23/05/2011 and signed on its behalf by:

Y M MANEK
CHAIRMAN

V K DHALL
DIRECTOR

P LEWIS
CHIEF EXECUTIVE OFFICER

Financial Statements for the year ended 31st December 2010 *(continued)*

	Notes	Share Capital TShs'000	Fair value reserve TShs'000	Contingency reserve TShs'000	Capital reserve TShs'000	Retained earnings TShs'000	Proposed dividends TShs'000	Total TShs'000
Year ended 31 December 2010								
At 1 January 2010		2,850,000	718,939	2,332,726	1,204,124	2,381,653	686,720	10,174,162
Comprehensive income								
Profit for the year		-	-	-	-	2,528,275	-	2,528,275
Other comprehensive income:								
Fair value gain	20	-	72,230	-	-	-	-	72,230
Transfer to profit and loss account of fair value loss on impaired AFS		-	151,169	-	-	-	-	151,169
Share of other comprehensive income of an associate	18	-	78,004	-	-	-	-	78,004
Total other comprehensive income		**-**	**301,403**	**-**	**-**	**-**	**-**	**301,403**
Transfer to contingency reserve		-	-	505,655	-	(505,655)	-	-
Transfer to capital reserve		-	-	-	505,655	(505,655)	-	-
Transactions with owners								
Bonus issue		1,150,000	-	-	(575,000)	(575,000)	-	-
Reversal of proposed dividend 2009		-	-	-	-	686,720	(686,720)	-
Proposed dividend for 2010		-	-	-	-	(834,331)	834,331	-
Total transactions with owners		1,150,000	-	-	(575,000)	(722,611)	147,611	-
At 31 December 2010		**4,000,000**	**1,020,342**	**2,838,381**	**1,134,779**	**3,176,007**	**834,331**	**13,003,840**

Financial Statements for the year ended 31st December 2010 *(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 2009								
At 1 January 2009		2,850,000	810,542	1,916,532	787,930	1,819,793	724,524	8,909,321
Comprehensive income								
Profit for the year		-	-	-	-	2,080,968	-	2,080,968
Other comprehensive income Fair value loss	20	-	(87,053)	-	-	-	-	(87,053)
Share of other comprehensive loss of an associate	18	-	(4,550)	-	-	-	-	(4,550)
Total other comprehensive loss		**-**	**(91,603)**	**-**	**-**	**-**	**-**	**(91,603)**
Transfer to contingency reserve		-	-	416,194	-	(416,194)	-	-
Transfer to capital reserve		-	-	-	416,194	(416,194)	-	-
Transactions with owners								
Proposed dividend for 2009		-	-	-	-	(686,720)	686,720	-
Final dividend paid for 2008		-	-	-	-	-	(724,524)	(724,524)
Total transactions with owners		**-**	**-**	**-**	**-**	**(686,720)**	**(37,804)**	**(724,524)**
At 31 December 2009		**2,850,000**	**718,939**	**2,332,726**	**1,204,124**	**2,381,653**	**686,720**	**10,174,162**

Financial Statements for the year ended 31st December 2010 *(continued)*

	Notes	2010 TShs'000	2009 TShs'000
Cash generated from operations	**33**	**2,439,951**	**1,867,852**
Dividend received		112,860	48,855
Interest received		1,133,936	670,400
Tax paid		(513,308)	(391,061)
Cash generated from operating activities		3,173,439	2,196,046
Cash flows from investing activities			
Purchase of property and equipment	15	(138,548)	(156,273)
Purchase of intangible assets	16	(777,407)	-
Proceeds from disposal of equipment		32,603	18,991
Purchase of quoted shares		(300,300)	(261,272)
Purchase of investment in Tan Re		(4,284)	(43,401)
Purchase of additional shares in Strategis		(58,800)	-
Advance towards an investment in equity		(2,071,694)	-
Purchase of other investments		(3,344,642)	859,798
Dividend from associates	18	182,520	397,800
Cash (used)/generated from in investing activities		(6,480,552)	815,643
Cash flows from financing activities			
Dividends paid	13	-	(724,524)
cash utilised in financing activities		-	(724,524)
Net (decrease)/increase in cash and cash equivalents		**(3,307,113)**	**2,287,165**
Cash and cash equivalents at beginning of the year		6,775,970	4,488,805
Cash and cash equivalents at end of the year	32	3,468,857	6,775,970

Notes

1 General Information

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

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

2 Summary of Significant Accounting Policies

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

(a) Basis of preparation

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

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

(i) New and amended standards adopted by the Company

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010.

- IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

  The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

- IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. IAS 27 (revised) has had no impact on the current period, as none of the non-controlling interests have a deficit balance; there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity, and there have been no transactions with non-controlling interests.

(ii) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the Company

The following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2010 or later periods, but the Company has not early adopted them.

- IFRIC 17, 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009). The interpretation was published in November 2008. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution

Notes *(continued)*

2 Summary of Significant Accounting Policies *(continued)*

(a) Basis of preparation *(continued)*

(ii) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the Company *(continued)*

only when they are available for distribution in their present condition and the distribution is highly probable.

- IFRIC 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 1 July 2009. This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). In some cases, the entity receives cash from a customer that must be used only to acquire or construct the item of property, plant, and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services (or to do both).

- IFRIC 9, 'Reassessment of embedded derivatives and IAS 39, Financial instruments: Recognition and measurement', effective 1 July 2009. This amendment to IFRIC 9 requires an entity to assess whether an embedded derivative should be separated from a host contract when the entity reclassifies a hybrid financial asset out of the 'fair value through profit or loss' category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. If the entity is unable to make this assessment, the hybrid instrument must remains classified as at fair value through profit or loss in its entirety.

- IFRIC 16, 'Hedges of a net investment in a foreign operation' effective 1 July 2009. This amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39 that relate to a net investment hedge are satisfied. In particular, the group should clearly document its hedging strategy because of the possibility of different designations at different levels of the group. IAS 38 (amendment), 'Intangible assets', effective 1 January 2010. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives.

- IAS 1 (amendment), 'Presentation of financial statements'. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or noncurrent. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

- IAS 36 (amendment), 'Impairment of assets', effective 1 January 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics).

- IFRS 2 (amendments), 'Group cash-settled share-based payment transactions', effective form 1 January 2010. In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation.

- IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations'. The amendment clarificaties that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1.

Notes

2 Summary of Significant Accounting Policies *(continued)*

(a) Basis of preparation *(continued)*

(iii) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2010 and not early adopted

The Company's assessment of the impact of these new standards and interpretations is set out below:

- IFRS 9, 'Financial instruments', issued in November 2009. This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Company's accounting for its financial assets.

- IFRS 9, part 2 was issued in October 2010 and includes guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation of financial liabilities and for derecognising financial instruments has been relocated from IAS 39, 'Financial instruments: Recognition and Measurement', without change except for financial liabilities that are designated at fair value through profit or loss.

  Under the new standard, entities with financial liabilities at fair value through profit or loss recognise changes in the liability's credit risk directly in other comprehensive income. There is no subsequent recycling of the amounts in other comprehensive income to profit or loss, but accumulated gains or losses may be transferred within equity.

  The standard is not applicable until 1 January 2013 but is available for early adoption. The Company is yet to assess IFRS 9's full impact. However, initial indications are that it may affect the Company's accounting for its available-for-sale financial assets, as IFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. In the current reporting period, the Company recognised TShs 72 million of such gains in other comprehensive income.

- Revised IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. Earlier application, in whole or in part, is permitted.

  The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Company will apply the revised standard from 1 January 2011. The application of the standard is unlikely to have a significant impact on the Company's financial statements.

- 'Classification of rights issues' (amendment to IAS 32), issued in October 2009. The amendment applies to annual periods beginning on or after 1 February 2010. Earlier application is permitted. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with IAS 8 'Accounting policies, changes in accounting estimates and errors'. The Company will apply the amended standard from 1 January 2011.

- IFRIC 19, 'Extinguishing financial liabilities with equity instruments', effective 1 July 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The Company will apply the interpretation from 1 January 2011. It is not expected to have any impact on the Company's financial statements.

Notes *(continued)*

2 Summary of Significant Accounting Policies *(continued)*

(a) Basis of preparation *(continued)*

(iii) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2010 and not early adopted *(continued)*

- 'Prepayments of a minimum funding requirement' (amendments to IFRIC 14). The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The amendments are effective for annual periods beginning 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. The Company will apply these amendments for the financial reporting period commencing on 1 January 2011.

The Directors have assessed the relevance of the new standard amendments and interpretations to existing standards with respect to the Company's operations and concluded that they will not have significant impact on the Company's financial statements.

(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' postacquisition profits or losses is recognised in the profit and loss account, and its share of postacquisition 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) Income recognition

Premium income 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 1/6th method for marine.

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

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

(d) Claims incurred

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

(e) Commissions payable and deferred acquisition costs

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

(f) Commissions receivable and deferred acquisition income

A proportion of Commissions 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.

Notes *(continued)*
2 Summary of Significant Accounting Policies *(continued)*
(g) 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 1/3 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. The asset's residual values and useful lives are reviewed at each balance sheet date and adjusted if appropriate.

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

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

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

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

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

(j) 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 and are carried at amortised cost. 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, and are carried at amortised cost. Insurance and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. 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 and are carried at fair value.

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 investments are classified and carried at values as follows:

(i) Quoted shares are classified as available-for-sale investments and are carried 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 are classified as available-for-sale investments. They are shown at fair value unless their value cannot be reliably measured, when they are carried at cost less provision for impairment.

Notes *(continued)*
2 Summary of Significant Accounting Policies *(continued)*
(j) Financial assets *(continued)*

(iii) Securities issued by the Government of Tanzania, fixed deposits with financial institutions and corporate bonds are classified as available for sale. These are initially recognised at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value with gains and losses being recognised in the statement of comprehensive income.

During the year, the Company sold more than an insignificant amount of investments classified as held to maturity. As a result, the Company cannot classify any financial assets as held to maturity and all held to maturity financial assets have been reclassified as available for sale and remeasured at fair value. In the opinion of the directors the difference between the carrying amounts and fair values is not significant.

(k) Impairment of financial assets

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.

The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor; a breach of contract, such as a default;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future.

The Company first assesses whether objective evidence of impairment exists.

For insurance and 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 the profit and loss amount.

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 the profit and loss account. Impairment testing of trade receivables is described in Note 3.

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

(l) 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.

(m) 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-

Notes *(continued)*

2 Summary of Significant Accounting Policies *(continued)*

(m) Translation of foreign currencies *(continued)*

end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

(n) 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.

(o) Receivables

Outstanding premiums and amounts due from reinsurers are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established where there is objective evidence that the Company will not be able to collect all the amounts due according to the original terms of receivables.

(p) Employee benefits

(i) Retirement benefit obligations

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

(ii) Other entitlements

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

(q) Income tax

Income tax expense is the aggregate of the charge to the profit and loss account in respect of current income tax and deferred income tax. Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Tanzanian Income Tax Act.

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

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

(r) Contingency and capital reserves

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

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

(s) Dividends

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

(t) Financial liabilities

The Company's holding in financial liabilities is mainly in financial liabilities at amortised cost. Financial liabilities are derecognised when extinguished.

(u) Comparatives

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

Where IAS 8 applies, comparative figures have been adjusted to confirm with changes in presentations in the current year.

Notes *(continued)*

3 Management of Insurance and 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:

Concentration of Insurance liabilities by class of business

Year ended 31 December 2010 **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	28,732,568	68,566,503	50,349,027	147,648,098
	Net	23,156,522	17,837,330	18,790,157	59,784,009
Fire	Gross	8,709,368	128,790,021	8,666,559,353	8,804,058,742
	Net	7,464,567	32,513,614	27,828,514	67,806,695
Other	Gross	19,233,261	187,613,016	2,498,039,070	2,704,885,347
	Net	21,765,808	76,238,435	264,454,719	362,458,962
Total	**Gross**	**56,675,197**	**384,969,540**	**11,214,947,450**	**11,656,592,187**
	Net	**52,386,897**	**126,589,379**	**311,073,390**	**490,049,666**

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

Notes *(continued)*

3 Management of Insurance and Financial Risk *(continued)*

Concentration of Insurance liabilities by class of business *(continued)*

Year ended 31 December 2009 — **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	35,915,710	85,708,129	62,936,284	184,560,123
	Net	28,239,660	21,752,842	22,914,825	72,907,327
Fire	Gross	8,797,342	130,090,931	8,754,100,357	8,892,988,630
	Net	6,220,473	27,094,678	23,190,428	56,505,579
Other	Gross	18,317,392	178,679,063	2,379,084,828	2,576,081,283
	Net	15,658,855	54,847,795	190,255,193	260,761,843
Total	**Gross**	**63,030,444**	**394,478,123**	**11,196,121,469**	**11,653,630,036**
	Net	**50,118,988**	**103,695,315**	**236,360,476**	**390,174,749**

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 and credit 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.

Notes *(continued)*
3 Management of Insurance and Financial Risk *(continued)*
Credit risk *(continued)*

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.

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.

Maximum exposure to credit risk:	2010 TShs '000	2009 TShs '000
Bank balances	705,383	1,974,970
Other receivables	191,932	134,599
Receivables arising out of reinsurance arrangements	3,730,970	2,593,140
Receivables arising out of direct insurance arrangements	2,092,179	9,636,018
Reinsurers' share of insurance liabilities	17,074,504	29,232,033
Government securities	1,625,058	3,110,709
Corporate bond	3,132,511	542,196
Deposits with financial institutions	6,137,600	5,936,825
	34,690,137	**53,160,797**

There was no collateral held in respect of the above amounts.

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

	Direct insurance arrangements		Reinsurance arrangements	
	2010 TShs '000	2009 TShs '000	2010 TShs '000	2009 TShs '000
Neither past due nor impaired	1,404,690	6,959,132	786,859	1,525,550
Past due but not impaired	687,489	2,676,886	2,944,111	1,067,745
Impaired	1,293,710	1,077,477	-	-
Gross	3,385,889	10,713,495	3,730,970	2,593,295
Less: Provision for impairment	1,293,710	1,077,477	-	-
	2,092,179	9,636,018	3,730,970	2,593,295

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

Notes *(continued)*

3 Management of Insurance and Financial Risk *(continued)*

Credit risk *(continued)*

Receivables arising out of direct insurance arrangements past due but not impaired;	**2010 TShs '000**	**2009 TShs '000**
Past due but not impaired:		
- by up to 30 days	466,753	323,864
- by 31 to 60 days	89,941	394,110
- by 61 to 150 days	130,795	744,375
- by 151 to 360 days	-	1,214,537
Total past due but not impaired	**687,489**	**2,676,886**
Receivables arising out of re-insurance arrangements past due but not impaired;		
Past due but not impaired:		
- by up to 30 days	917,313	76,255
- by 31 to 60 days	287,078	65,438
- by 61 to 150 days	923,736	234,789
- by 151 to 360 days	815,984	691,263
Total past due but not impaired	**2,944,111**	**1,067,745**

All impaired receivables have been individually assessed:

	Direct insurance arrangements		Reinsurance arrangements	
	2010 TShs '000	2009 TShs '000	2010 TShs '000	2009 TShs '000
Individually assessed impaired receivables				
- brokers	1,224,140	1,052,074	-	-
- insurance companies	-	-	-	-
- direct clients	69,570	25,403	-	-
	1,293,710	1,077,477	-	-

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

At beginning of period	1,077,477	846,495	-	-
Provision for impairment	216,233	230,982	-	-
At end of the year	**1,293,710**	**1,077,477**	**-**	**-**

Notes *(continued)*

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 2010, if the Tanzanian Shilling had strengthened/weakened by 5% against the US dollar, with all other variables held constant, post tax profit for the year would have been TShs 141 million lower/higher (2009:168 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 equity securities 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 equity securities price would result in the fair value reserve in the statement of changes in equity increasing/decreasing by TShs 158 million (2009: TShs 112 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.

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

31 December 2010	Up to 1 month TShs '000	1-3 months TShs '000	3-12 months TShs '000	1-5 years TShs '000	Over 5 years TShs '000	Total TShs '000
Bank overdraft	270,546	-	-	-	-	270,546
Liabilities						
Insurance contract liabilities	-	-	12,192,273	4,543,296	-	16,735,569
Creditors arising from reinsurance arrangements	-	-	2,916,080	-	-	2,916,080
Other payables	-	629,160	-	-	-	629,160
Total financial liabilities (contractual maturity dates)	**270,546**	**629,160**	**15,108,353**	**4,543,296**	**-**	**20,551,355**

Notes *(continued)*

3 Management of Insurance and Financial Risk *(continued)*

Liquidity risk *(continued)*

Assets						
Other receivables	-	-	259,453	-	-	259,453
Receivables arising out of reinsurance arrangements	-	-	3,730,970	-	-	3,730,970
Reinsurers' share of insurance liabilities			4,878,826	3,407,591	-	8,286,417
Receivables arising out of direct insurance arrangements	-	-	2,092,179	-	-	2,092,179
Government securities	-	-	1,447,633	-	177,425	1,625,058
Corporate bonds				2,590,075	542,436	3,132,511
Available-for-sale equity investments	-	-	1,585,924	-	-	1,585,924
Deposits with financial institutions	-	2,761,490	3,376,110	-	-	6,137,600
Cash and bank balances	707,366	-	-	-	-	707,366
Total financial assets (expected maturity dates)	**707,366**	**2,761,490**	**17,371,095**	**5,997,666**	**719,861**	**27,557,478**
Net liquidity surplus	**436,820**	**2,132,330**	**2,262,742**	**1,454,370**	**719,861**	**7,006,123**

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 2009	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	-	-	22,845,326	2,496,591	-	25,341,917
Creditors arising from reinsurance arrangements	-	-	10,104,302	-	-	10,104,302
Other payables	-	661,081	-	-	-	661,081
Total financial liabilities (contractual maturity dates)	**-**	**661,081**	**32,949,628**	**2,496,591**	**-**	**36,107,300**

Notes *(continued)*

3 Management of Insurance and Financial Risk *(continued)*

Liquidity risk *(continued)*

Assets						
Other receivables	-	-	1,220,547	-	-	1,220,547
Receivables arising out of reinsurance arrangements	-	-	2,593,140	-	-	2,593,140
Reinsurers' share of insurance liabilities			17,037,954	1,394,555		18,432,509
Receivables arising out of direct insurance arrangements	-	-	9,636,018	-	-	9,636,018
Government securities	1,486,120	-	-	1,447,243	177,346	3,110,709
Corporate bond	-	-	-	-	542,196	542,196
Available-for-sale equity investments	-	-	1,375,650	-	-	1,375,650
Deposits with financial institutions	1,269,241	2,045,332	2,622,252	-	-	5,936,825
Cash and bank balances	2,647,028	-	-	-	-	2,647,028
Total financial assets (expected maturity dates)	**5,402,389**	**2,045,332**	**34,485,561**	**2,841,798**	**719,542**	**45,494,622**
Net liquidity surplus	**5,402,389**	**1,384,251**	**1,535,933**	**345,207**	**719,542**	**9,387,322**

Capital management

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

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

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

- Composite insurance companies TShs 1,300 million;
- General insurance business companies TShs 1,000 million; and
- Long term insurance business companies TShs 1,000 million.

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

Solvency

General insurance businesses are required to keep a solvency margin i.e. admitted assets less admitted liabilities equivalent to the higher of TShs 250 million or 20% of the net written premium of the current financial year.
During the period the Company held more than the minimum paid up capital required as well as met the required solvency margins.

Notes *(continued)*

3 Management of Insurance and Financial Risk *(continued)*

Solvency *(continued)*

The following table gives a descriptive analysis of the solvency margin as at 31 December 2010:

Solvency margin as at 31 December 2010	TShs '000	Short term Business TShs '000
Total admitted assets		18,419,192
Total admitted liabilities		15,319,810
a) Net Written Premium preceding year	9,552,972	
b) Net Written Premium current period	10,775,366	
Add: the greater of 250 million or 20% of current period net written premium		2,155,073
Total liabilities and minimum requirement		17,474,883
Excess admitted assets		**944,309**

Solvency margin as at 31 December 2009	TShs '000	Short term Business TShs '000
Total admitted assets		24,393,839
Total admitted liabilities		21,659,557
a) Net Written Premium preceding year	10,082,128	
b) Net Written Premium current period	9,552,972	
Add: the greater of 250 million or 20% of current period net written premium		1,910,594
Total liabilities and minimum requirement		23,570,152
Excess admitted assets		**823,687**

Notes *(continued)*

3 Management of Insurance and Financial Risk *(continued)*

Fair value of financial assets and liabilities

(a) 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	
	2010	2009	2010	2009
Financial assets				
Available for sale unquoted investments	209,407	205,123	209,407	205,123
Receivables arising out of direct insurance arrangements	2,092,179	9,636,018	2,092,179	9,636,018
Receivables arising out of reinsurance arrangements	3,730,970	2,593,140	3,730,970	2,593,140
Reinsurers' share of insurance liabilities	17,074,504	29,232,033	17,074,504	29,232,033
Government securities	1,625,058	3,110,709	1,758,676	3,868,083
Corporate bonds	3,132,511	542,196	3,121,905	563,608
Deposits with financial institutions	6,137,600	5,936,825	6,137,600	5,936,825
Financial liabilities				
Insurance contract liabilities	16,735,569	25,341,917	16,735,569	25,341,917
Unearned premiums	11,545,195	14,143,604	11,545,195	14,143,604
Payables arising from reinsurance arrangements	2,916,080	10,104,302	2,916,080	10,104,302
Bank overdraft	270,546	-	270,546	-
Other payables	629,160	661,081	629,160	661,081

The fair value of insurance and other receivables and held-to-maturity financial assets is based on market prices or broker/dealer price quotations. 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. All other available for sale assets are measured and carried at fair value.

The estimated fair value of deposits with no stated maturity, which includes 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.

Notes *(continued)*

3 Management of Insurance and Financial Risk *(continued)*

Fair value of financial assets and liabilities *(continued)*

(b) Financial instruments measured at fair value

The fair value of quoted shares is calculated by reference to the stock exchange quoted bid prices at the close of business on the balance sheet date.

(c) 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.

Assets and liabilities measured at fair value

31 December 2010	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets:				
– Available for sale quoted investments	1,585,924	-	-	1,585,924
– Government securities	-	1,625,058	-	1,625,058
– Corporate bonds	-	3,132,511	-	3,132,511
– Deposits with financial institutions	-	6,137,600	-	6,137,600
Total assets	**1,585,924**	**10,895,169**	**-**	**12,481,093**
31 December 2009				
Available-for-sale financial assets:				
– Available for sale quoted investments	1,375,650	-	-	1,375,650
Total assets	**1,375,650**	**-**	**-**	**1,375,650**

Notes *(continued)*

4 Critical Accounting Estimates And Judgements

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

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

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

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

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

(iii) Property and equipment

Critical estimates are made by the directors in determining depreciation rates for property and equipment and their residual values. The rates used are set out in Note 2(g).

(iv) Critical judgments in applying the entityís accounting policies

In the process of applying the Company's accounting policies, management has made judgements in determining whether assets are impaired or not.

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:

	2010 TShs'000	2009 TShs'000
Motor	3,337,684	3,763,101
Fire	18,325,011	15,575,444
Personal accident	1,868,198	2,079,999
Other	12,574,869	10,807,154
	36,105,762	**32,225,698**

6 Investment Income

	2010	2009
Interest from government securities	185,149	384,588
Interest from corporate bonds	524,653	81,025
Bank deposit interest	177,315	204,787
Dividends receivable	112,860	48,855
Sale of investments	246,819	-
	1,246,796	**719,255**

Notes *(continued)*

7 Share of Profit from Associates

	2010 TShs'000	2009 TShs'000
Share of profit in Alliance Insurance Corporation Limited (Note 18)	755,100	843,750
Share of profit in Strategis Insurance (Tanzania) Limited (Note 18)	285,476	56,506
	1,040,576	**900,256**

8 Other Income

Profit on disposal of property and equipment	32,583	4,010
Foreign exchange gain	659,650	427,692
Miscellaneous income	1,593	-
	693,826	**433,702**

9 Insurance Claims

Engineering	65,105	324,872
Fire commercial	1,421,378	15,647,894
Fire domestic	31,030	95,526
Liability	(50,900)	458,571
Marine	382,409	289,489
Motor	3,639,463	3,971,515
Personal accident	510,026	847,836
Theft	104,373	89,190
Workman compensation	35,993	(60,134)
Miscellaneous	3,274,796	2,683,992
	9,413,673	**24,348,751**

10 Operating expenses

Staff costs (Note 11)	2,008,677	1,506,658
Auditors' remuneration	61,124	46,456
Depreciation and amortisation	433,491	197,415
Operating lease rentals	399,293	384,370
Repairs and maintenance expenses	46,070	23,533
Directors' fees	20,370	40,500
Impairment provision for bad debts	216,234	235,519
Other operating expenses	1,659,894	1,238,095
	4,845,153	**3,672,546**

Notes *(continued)*

11 Staff Costs

	2010 TShs'000	2009 TShs'000
Staff costs include the following:		
- Salaries and wages	1,888,615	1,411,237
- Social security benefit costs	120,062	95,421
	2,008,677	**1,506,658**

12 Income Tax Expense

Current income tax – current year	846,423	550,346
– prior years	-	-
Deferred income tax – current year	(55,949)	(27,852)
– prior years	-	-
	790,474	**522,494**

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:

Profit before income tax	3,318,749	2,690,403
Tax calculated at the tax rate of 30%	1,106,250	807,121
Tax effect of:		
Share of profits of associates	(312,173)	(310,815)
Depreciation on non qualifying assets	5,122	4,522
Prior year income and deferred tax	-	-
Expenses not deductible for tax purposes	127,635	21,666
	790,474	**522,494**

13 Dividend

Proposed dividends are accounted for as a separate component of equity until they have been ratified at an Annual General Meeting. A dividend of TShs 687 million proposed in the prior year was not paid and has been written back into retained earnings. 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 Share Capital

The total authorised number of ordinary shares is 100,000 with a par value of TShs 100,000, of which 40,000 shares have been issued and fully paid (2009: 28,500 shares of TShs 100,000 each).

	Number of shares Thousands	Ordinary shares TShs'000
Balance at 31 December 2010	40	4,000,000

Notes *(continued)*

15 Property and Equipment

Year ended 31 December 2010	Motor vehicles TShs'000	Furniture and equipment TShs'000	Total TShs'000
Cost			
At start of year	304,870	1,003,770	1,308,640
Additions	53,005	85,543	138,548
Disposals	(58,461)	(4,769)	(63,230)
At end of year	**299,414**	**1,084,544**	**1,383,958**
Depreciation			
At start of year	235,712	738,944	974,656
Charge for the year	38,267	136,088	174,355
Disposals	(58,461)	(4,749)	(63,210)
At end of year	**215,518**	**870,283**	**1,085,801**
Net book value at 31 December 2010	**83,896**	**214,261**	**298,157**
Year ended 31 December 2009			
Cost			
At start of year	253,462	935,143	1,188,605
Additions	51,407	104,866	156,273
Disposals	-	(36,238)	(36,238)
At end of year	**304,870**	**1,003,771**	**1,308,640**
Depreciation			
At start of year	188,858	609,639	798,497
Charge for the year	46,853	150,562	197,415
Disposals	-	(21,257)	(21,257)
At end of year	**235,711**	**738,944**	**974,655**
Net book value at 31 December 2009	**69,159**	**264,827**	**333,985**

Notes *(continued)*

16 Intangible Assets - Computer Software

	2010 TShs'000	2009 TShs'000
Cost		
At start of year	-	-
Additions	777,407	-
At end of year	**777,407**	**-**
Depreciation		
At start of year	-	-
Charge for the year	259,136	-
At end of year	**259,136**	**-**
Net book value at 31 December	**518,271**	**-**

17 Available for Sale Unquoted Equity Investment

At start of year	205,123	348,922
Additions	4,284	43,401
Transfer of CRDB listed shares to quoted investment	-	(187,200)
At end of year	**209,407**	**205,123**

The whole amount represents an investment in Tanzania National Reinsurance Limited

18 Investment in Associates

At start of year	4,705,591	4,207,685
Additions – Strategis shares	58,800	-
Dividends received	(182,520)	(397,800)
Share of profits in Strategis Insurance (Tanzania) Limited	285,476	56,506
Share of profit in Alliance Insurance Corporation Limited	755,100	843,750
Share of available-for-sale financial asset reserve of an associate	78,004	(4,550)
At end of year	**5,700,451**	**4,705,591**

Notes *(continued)*

18 Investment in Associates *(continued)*

The summarised financial information of associates, all of which are unlisted, is as follows:

Year ended 31 December 2010	Assets TShs'000	Liabilities TShs'000	Revenue TShs'000	Profit TShs'000	% interest held TShs'000
Alliance Insurance Corporation Limited	30,228,000	21,016,000	10,297,000	1,678,000	45%
Strategis Insurance (Tanzania) Limited	12,965,848	9,485,052	14,711,098	728,627	39.18%
	43,193,848	**30,501,052**	**25,008,098**	**2,406,627**	
Year ended 31 December 2009					
Alliance Insurance Corporation Limited	21,681,000	13,822,000	12,024,000	1,875,000	45%
Strategis Insurance (Tanzania) Limited	18,256,265	15,667,273	6,597,218	144,222	39.18%
	40,105,325	**29,435,433**	**18,621,218**	**2,241,122**	

19 Advance towards an Investment In Equity

During the year, the Company paid TShs 2.071 billion as advance towards investment in Dar es Salaam Properties Limited (DPL). However, the investment was disposed of after year end and whole amount recovered by the Company.

20 Available for sale Quoted Equity Investments

	2010 TShs'000	2009 TShs'000
At start of year	1,375,650	1,014,230
Additions	300,300	261,273
Transfer of CRDB listed shares from unquoted investment	-	187,200
Fair value loss	(162,256)	(87,053)
Fair value gain	72,230	-
At end of year	**1,585,924**	**1,375,650**
Current	1,585,924	1,375,650
Non-current	-	-
	1,585,924	**1,375,650**

Notes *(continued)*

21 Reinsurers' share of Insurance Liabilities

	2010 TShs'000	2009 TShs'000
Reinsurers' share of:		
Unearned premium	8,788,087	10,799,524
Notified claims outstanding	4,878,826	17,037,954
Claims incurred but not reported	3,407,591	1,394,555
	17,074,504	**29,232,033**
Current	4,878,826	17,037,954
Non-current	3,407,591	1,394,555
	8,286,417	**18,432,509**

22 Deferred Acquisition Cost/Income

Cost		
At start of year	1,125,207	1,192,823
Addition	2,820,588	3,069,651
Amortisation charge	(3,103,899)	(3,137,267)
At end of year	**841,896**	**1,125,207**
Income		
At start of year	(1,765,895)	(1,513,475)
Addition	(3,209,322)	(3,906,575)
Amortisation charge	3,842,509	3,654,155
At end of year	**(1,132,710)**	**(1,765,895)**

23 Other Receivables

Due from related companies	90,995	58,904
Sundry debtors and prepayments	168,458	835,479
	259,453	894,383
Current	259,453	894,383
Non-current	-	-
	259,453	**894,383**

24 Government Securities

Treasury bills and bonds with maturity of 90 days or less	-	1,486,120
Treasury bills and bonds with maturity of more than 90 days	1,625,058	1,624,589
	1,625,058	3,110,709
Current	1,447,634	1,486,120
Non-current	177,424	1,624,589
	1,625,058	**3,110,709**

Notes *(continued)*

25 Corporate Bonds

Corporate bonds are debt security issued by ALAF Tanzania Limited and Tanzania Breweries Limited with a value of TShs 500 million and TShs 2.5 billion for a term of 7 years and 3 years quoted on Dar es Salaam Stock Exchange offering a fixed interest of 17% and 11% per annum respectively, paid semi annually. The carrying value of the corporate bonds is TShs 542 million and TShs 2,590 million respectively.

26 Deposits with Financial Institutions

	2010 TShs'000	2009 TShs'000
Deposits with maturity of 90 days or less	2,761,491	3,314,573
Deposits with maturity of more than 90 days	3,376,109	2,622,252
	6,137,600	**5,936,825**

Effective interest rates

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

	2010 %	2009 %
Government securities	11	12
Deposits with financial institutions	3	3
Corporate bond	**17**	**15**

27 Insurance Contract Liabilities

	2010 TShs'000	2009 TShs'000
Short term non-life insurance contracts:		
Claims reported and claims handling expenses	12,192,273	22,845,326
Claims incurred but not reported	4,543,296	2,496,591
Total - short term	**16,735,569**	**25,341,917**
Current	12,192,273	22,845,326
Non-current	4,543,296	2,496,591
	16,735,569	**25,341,917**

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 2010 and 2009 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.

Notes *(continued)*

27 Insurance Contract Liabilities *(continued)*

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.

Accident year	2004 TShs'000	2005 TShs'000	2006 TShs'000	2007 TShs'000	2008 TShs'000	2009 TShs'000	2010 TShs'000	Total TShs'000
Estimate of ultimate claims costs:								
At end of accident year	5,188,755	4,563,809	6,254,594	11,296,118	10,060,411	25,270,124	13,008,318	75,642,129
One year later	8,998,466	3,507,211	4,259,455	11,431,037	10,667,847	24,619,611	-	63,483,627
Two years later	8,448,247	3,949,594	4,259,455	9,580,028	10,854,694	-	-	37,092,018
Three years later	4,609,921	3,949,594	4,482,101	5,735,184	-	-	-	18,776,800
Four years later	4,631,043	4,049,767	4,751,957	-	-	-	-	13,432,767
Five years later	4,535,061	4,814,891	-	-	-	-	-	9,349,952
Six years later	4,521,262	-	-	-	-	-	-	4,521,262
Current estimate of cumulative claims	4,521,262	4,814,891	4,751,957	5,735,184	10,854,694	24,619,611	13,008,318	68,305,917
Less: cumulative payments to date	4,248,273	4,359,579	3,882,579	3,857,539	8,347,136	21,524,372	5,539,765	51,759,243
Liability in the balance sheet	272,989	455,312	869,378	1,877,645	2,507,558	3,095,239	7,468,553	16,546,674
Liability in respect of prior years	-	-	-	-	-	-	-	188,895
Total gross claims liability included in the balance sheet								**16,735,569**

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

Notes *(continued)*

28 Movements in Insurance Liabilities and Reinsurance Assets

Short term insurance business	Gross TShs'000	Re-insurance TShs'000	2010 Net TShs'000	Gross TShs'000	Re-insurance TShs'000	2009 Net TShs'000
Notified claims	22,845,326	17,037,955	5,807,371	12,761,854	6,972,775	5,789,079
Incurred but not reported	2,496,591	1,394,555	1,102,036	2,600,217	1,739,506	860,711
Total at beginning of year	25,341,917	18,432,510	6,909,407	15,362,071	8,712,281	6,649,790
Cash paid for claims settled in year	(18,020,021)	(13,125,590)	(4,894,431)	(14,368,905)	(8,512,215)	(5,856,690)
Increase in liabilities:						
arising from current year claims	3,011,225	129,947	2,881,278	17,668,919	14,541,197	3,127,722
arising from prior year claims	6,402,448	2,849,550	3,552,898	6,679,832	3,691,247	2,988,585
Total at end of year	**16,735,569**	**8,286,417**	**8,449,152**	**25,341,917**	**18,432,510**	**6,909,407**
Notified claims	12,192,273	4,878,826	7,313,447	22,845,326	17,037,955	5,807,371
Incurred but not reported	4,543,296	3,407,591	1,135,705	2,496,591	1,394,555	1,102,036
	16,735,569	**8,286,417**	**8,449,152**	**25,341,917**	**18,432,510**	**6,909,407**

29 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	Gross TShs'000	Re-insurance TShs'000	2010 Net TShs'000	Gross TShs'000	Re-insurance TShs'000	2009 Net TShs'000
At beginning of year	14,143,604	10,902,987	3,240,617	12,134,231	8,518,094	3,616,137
Increase in the year (net)	(2,598,409)	-	(494,836)	2,009,373	2,384,893	(375,520)
At end of year	**11,545,195**	**10,902,987**	**2,745,781**	**14,143,604**	**10,902,987**	**3,240,617**
Unexpired risk provision						
At beginning of year	-	-	103,464	126,608	-	126,608
Increase in the year (net)	-	-	(92,138)	(126,608)	-	(23,144)
At end of year	**-**	**-**	**11,326**	**-**	**-**	**103,464**
Total as per balance sheet	**-**	**-**	**2,757,107**	**14,143,604**	**10,902,987**	**3,344,081**

Notes *(continued)*

30 Deferred Income Tax

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2009: 30%). The movement on the deferred income tax account is as follows:

	2010 TShs'000	2009 TShs'000
At start of the year	198,660	170,808
Credit to profit and loss account (Note 12)	55,949	27,852
At end of year	**254,609**	**198,660**

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

	1 January 2010 TShs'000	Credited to profit and loss TShs'000	31 December 2010 TShs'000
Accelerated tax depreciation	72,055	33,952	106,007
Other temporary differences	126,605	21,997	148,602
	198,660	**55,949**	**254,609**

	1 January 2009 TShs'000	Credited to profit and loss TShs'000	31 December 2009 TShs'000
Property and equipment	57,840	14,215	72,055
Other temporary differences	112,968	13,637	126,605
	170,808	**27,852**	**198,660**

31 Other Payables

	2010 TShs'000	2009 TShs'000
Due to related companies	26,631	83,179
Accrued expenses	602,529	577,902
	629,160	**661,081**

Notes *(continued)*

32 Cash and cash equivalents

	2010 TShs'000	2009 TShs'000
Cash at bank	705,383	1,974,970
Cash in hand	1,983	307
	707,366	**1,975,277**

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

	2010	2009
Cash and bank balances	707,366	1,975,277
Deposits with financial institutions (Note 26)	2,761,491	3,314,573
Treasury bills maturing within 90 days (Note 24)	-	1,486,120
	3,468,857	**6,775,970**

33 Cash Generated from Operations

Reconciliation of the Company's profit before income tax to cash generated from operations:

	2010	2009
Profit before income tax	3,318,749	2,603,462
Adjustments for:		
Dividend income	(112,860)	(48,855)
Interest income	(887,117)	(670,400)
Gain on sale of Investments	(246,819)	-
Depreciation expense (Note 15)	174,355	197,415
Amortisation expense (Note 16)	259,136	-
Impairment of available for sale financial assets	313,424	-
Profit on sale of property and equipment	(32,583)	(4,010)
Share of results of associates (Note 7)	(1,040,576)	(900,256)
Changes in:		
Insurance contract liabilities, unearned premiums and reinsurers share of insurance liabilities	952,772	(138,884)
Payables arising from reinsurance arrangements, deferred acquisition income and other payables	(7,299,469)	4,305,398
Receivables from direct and reinsurance arrangements and other receivables	7,040,939	(3,476,018)
Cash generated from operations	**2,439,951**	**1,867,852**

Notes *(continued)*

34 Financial Instruments by category

31 December 2010	Insurance and other receivables TShs'000	Available for sale TShs'000	Total TShs'000
Financial assets			
Cash and bank balances	707,366	-	707,366
Deposits with financial institutions	-	6,137,600	6,137,600
Government securities	-	1,625,058	1,625,058
Receivables arising out of direct insurance arrangements	2,092,179	-	2,092,179
Receivables arising out of reinsurance arrangements	3,730,970	-	3,730,970
Reinsurers' share of insurance liabilities	17,074,504	-	17,074,504
Corporate bonds	-	3,132,511	3,132,511
Available-for-sale quoted equity investments	-	1,585,924	1,585,924
Available-for-sale unquoted investment	-	209,407	209,407
Other receivables	259,453	-	259,453
	23,864,472	**12,690,500**	**26,554,972**

Financial liabilities	Financial liabilities at fair value through profit or loss	Other liabilities at armotised cost	Total
Bank overdraft	-	270,546	270,546
Other payables	-	629,160	629,160
	-	**899,706**	**899,706**

Notes *(continued)*

34 Financial Instruments by category *(continued)*

31 December 2009	Insurance and other receivables TShs'000	Held to maturity TShs'000	Available for sale TShs'000	Total TShs'000
Financial assets				
Cash and bank balances	1,975,277	-	-	1,975,277
Deposits with financial institutions	-	5,936,825	-	5,936,825
Government securities	-	3,110,709	-	3,110,709
Receivables arising out of direct insurance arrangements	9,636,018	-	-	9,636,018
Receivables arising out of reinsurance arrangements	2,593,140	-	-	2,593,140
Reinsurers' share of insurance liabilities	29,232,033	-	-	29,232,033
Corporate bonds	-	542,196	-	542,196
Available-for-sale quoted equity investments	-	-	1,375,650	1,375,650
Available-for-sale unquoted investment	-	-	205,123	205,123
Other receivables	894,383	-	-	894,383
	44,330,851	**9,589,730**	**1,580,773**	**55,501,354**

31 December 2009	Financial liabilities at fair value through profit or loss	Other liabilities at armotised cost	Total
Financial liabilities			
Bank overdraft	-	-	-
Other payables	-	661,081	661,081
	-	**661,081**	**661,081**

Notes *(continued)*

35 Contingent Liabilities

(i) Legal claims

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

(ii) Tax liabilities

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

36 Contingent Loss on Profits from Associates

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

37 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 Group Limited. The Company also has shareholdings in two associated other insurance companies; Alliance Insurance Corporation Limited and Strategis Insurance (Tanzania) Limited.

The following transactions were carried out with related parties:

(i) Transactions with associated companies

	2010 TShs'000	2009 TShs'000
Gross earned premium		
Strategis Insurance (Tanzania) Limited	2,423,211	551,386
Alliance Insurance Corporation Limited	87,706	80,593
	2,510,917	**631,979**
Net claims incurred		
Strategis Insurance (Tanzania) Limited	1,619,857	339,103

(ii) Outstanding balances payable to related parties

The Heritage Insurance Company Limited	2,623	51,841
Strategis Insurance Company Limited	1,772,712	158,719
Alliance Insurance Corporation	14,483	80,898
	1,789,818	**291,458**

Notes *(continued)*

37 Related Party Transactions *(continued)*

(iii) Outstanding balances receivable from related parties

	2010 TShs'000	2009 TShs'000
Staff loans	83,410	53,852
Strategis Insurance	1,647,051	184,047
CFC Stanbic group of companies	78,932	58,904
Alliance Insurance Corporation	248,681	358,415
CFC Insurance Holdings	11,651	-
	2,069,725	**655,218**

(iv) Directors' remuneration

Names of directors	2010 TShs'000	2009 TShs'000
Y. M. Manek	3,750	7,500
V. Dhall	2,500	5,000
S. Lugalia	2,500	5,000
C. Njonjo	-	5,000
J. G. Kiereini	2,500	5,000
J. H. D. Milne	2,500	5,000
J. V. Mwapachu	5,000	5,000
Sitting allowance	1,200	3,000
At end of the year	**19,950**	**40,500**

Sitting allowance for the period to 31 December 2010 was TShs 300,000 for each director (2009: TShs 600,000).

(v) Key management compensation

	2010 TShs'000	2009 TShs'000
Salaries and other short-term employee benefits	818,242	724,537
Post employment benefits	55,893	40,215
	874,135	**764,752**

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.

Notes *(continued)*

General Insurance Business Revenue Account 2010

Class of insurance Business	Engineering	Fire Domestic	Fire Industrial	Liability	Marine	Motor Commercial	Private	Personal Accident	Theft	Workmen's Compensation	Miscel laneous	2010 Total	2009 Total
Class code	2	3	4	5	6	7	8	9	10	11	12		
	TShs'000	TShs'000	TShs'000	TShs'000	TShs'000	TShs'000	TShs'000	TShs'000	TShs'000	TShs'000	TShs'000	TShs'000	TShs'000
Gross premium written	1,208,024	225,129	17,466,377	1,559,849	459,849	1,317,831	2,991,503	1,686,342	139,336	680,453	5,772,659	33,507,352	34,108,462
Change in gross UPR	777,010	51,725	858,634	(200,001)	132,402	182,566	346,180	181,856	46,874	52,285	168,877	2,598,408	(1,882,765)
Gross earned premiums	1,985,034	276,854	18,325,011	1,359,848	592,251	1,500,397	3,337,683	1,868,198	186,210	732,738	5,941,536	36,105,760	32,225,697
Less: reinsurance payable	1,758,376	96,191	17,625,978	630,019	367,475	331,239	781,312	702,770	36,745	163,656	2,249,662	24,743,423	22,274,224
Net earned premiums	226,658	180,663	699,033	729,829	224,776	1,169,158	2,556,371	1,165,428	149,465	569,082	3,691,874	11,362,337	9,951,473
Net Written	*242,178*	*139,612*	*768,307*	*724,839*	*249,016*	*1,022,398*	*2,319,966*	*1,175,838*	*115,053*	*527,687*	*2,210,208*	*9,495,102*	*9,552,972*
Gross claims paid	172,956	47,555	11,367,364	67,383	258,149	1,453,633	2,124,474	534,945	210,596	50,199	1,732,765	18,020,019	14,368,905
Change in gross o/s claims	(107,851)	(16,525)	(9,945,986)	(118,283)	124,260	187,436	(126,079)	(24,920)	(106,224)	(14,206)	1,542,031	(8,606,347)	9,979,845
Less: Reinsurance recoverable	53,918	15,515	1,097,814	(165,656)	177,077	433,402	675,377	189,627	(19,679)	10,462	511,640	2,979,497	18,232,444
Net claims incurred	11,187	15,515	323,564	114,756	205,332	1,207,667	1,323,018	320,398	124,051	25,531	2,763,156	6,434,175	6,116,306
Commission receivable	(434,398)	(19,321)	(2,392,575)	(132,995)	(50,911)	(59,390)	(140,858)	(156,365)	(8,702)	(40,321)	(400,456)	(3,836,292)	(3,524,896)
Commission payable	304,869	51,352	918,680	184,413	63,561	146,434	294,621	264,931	27,108	118,621	1,207,162	3,581,752	3,137,268
Expenses of management	132,316	72,761	629,465	251,648	130,510	528,723	1,200,197	269,959	22,506	109,380	916,737	4,262,202	3,396,527
Total expenses and commissions	2,787	104,792	(846,430)	303,066	143,160	615,767	1,353,960	378,525	40,912	187,680	1,723,443	4,007,662	3,008,899
Underwriting profit/(loss)	**212,684**	**60,356**	**1,221,899**	**312,007**	**(123,716)**	**(654,276)**	**(120,607)**	**466,505**	**(15,498)**	**355,871**	**(794,725)**	**920,500**	**826,268**
Key ratios													
Loss ratio	5%	9%	46%	16%	91%	103%	52%	27%	83%	4%	75%	57%	61%
Commission ratio	25%	23%	5%	12%	14%	11%	10%	16%	19%	17%	21%	11%	9%
Expense ratio	11%	32%	4%	18%	28%	40%	40%	16%	18%	16%	16%	13%	10%

Notes *(continued)*

General Insurance Business Revenue Account 2009

Class of insurance Business	Engineering	Fire Domestic	Fire Industrial	Liability	Marine	Motor Commercial	Private	Personal Accident	Theft	Workmen's Compensation	Miscel laneous	2009 Total	2008 Total
Class code	2	3	4	5	6	7	8	9	10	11	12		
	TShs'000	TShs'000	TShs'000	TShs'000	TShs'000	TShs'000	TShs'000	TShs'000	TShs'000	TShs'000	TShs'000	TShs'000	TShs'000
Gross premium written	1,739,290	220,862	17,596,002	1,466,023	682,685	1,611,997	3,772,882	2,055,664	232,525	775,912	3,954,620	34,108,462	28,969,074
Change in gross UPR	100,736	(25,137)	(2,020,558)	35,261	85,840	230,242	(9,782)	24,335	(30,998)	(14,701)	(258,003)	(1,882,765)	(567,746)
Gross earned premiums	1,840,026	195,725	15,575,444	1,501,284	768,525	1,842,239	3,763,100	2,079,999	201,527	761,211	3,696,617	32,225,697	28,401,328
Less: reinsurance payable	1,467,916	70,850	14,739,125	881,415	535,889	405,997	894,876	958,548	38,604	176,320	2,104,684	22,274,224	19,092,746
Net earned premiums	372,110	124,875	836,319	619,869	232,636	1,436,242	2,868,224	1,121,451	162,923	584,891	1,591,933	9,951,473	9,308,582
Net Written	*189,877*	*135,380*	*618,275*	*677,865*	*209,712*	*1,259,693*	*2,839,155*	*1,135,711*	*182,360*	*600,997*	*1,703,947*	*9,552,972*	*10,082,128*
Gross claims paid	1,226,272	138,298	4,687,248	61,316	296,888	998,437	3,091,723	1,190,316	79,500	41,200	2,557,707	14,368,905	12,155,072
Change in gross o/s claims	(901,402)	(42,772)	10,960,647	397,255	(7400)	(115,709)	(2,935)	(342,480)	9,690	(101,334)	126,285	9,979,845	(119,089)
Less: Reinsurance recoverable	32,287	5,337	14,935,960	346,381	136,207	252,667	928,186	547,506	(2,433)	1,933	1,048,413	18,232,444	6,152,145
Net claims incurred	292,583	90,189	711,935	112,190	153,281	630,061	2,160,602	300,330	91,623	(62,067)	1,635,579	6,116,306	5,883,838
Commission receivable	(282,093)	(13,711)	(2,080,053)	(143,146)	(74,083)	(73,033)	(162,193)	(238,512)	(11,489)	(43,374)	(403,209)	(3,524,896)	(3,578,593)
Commission payable	219,477	38,046	1,076,190	166,205	74,318	177,011	353,567	305,585	29,353	121,096	576,420	3,137,268	3,355,173
Expenses of management	136,054	50,632	1,178,579	87,689	170,979	405,427	947,209	121,750	13,948	46,432	237,828	3,396,527	2,868,946
Total expenses and commissions	73,438	74,967	174,716	110,748	171,214	509,405	1,138,583	188,823	31,812	124,154	411,039	3,008,899	2,645,526
Underwriting profit/(loss)	**6,089**	**(40,281)**	**(50,332)**	**396,931**	**(91,859)**	**296,776**	**(430,961)**	**632,298**	**39,488**	**522,804**	**(454,685)**	**826,268**	**779,218**
Key ratios													
Loss ratio	79%	72%	85%	18%	66%	44%	75%	27%	56%	-11%	103%	61%	63%
Commission ratio	13%	17%	6%	11%	11%	11%	9%	15%	13%	16%	15%	9%	12%
Expense ratio	8%	23%	7%	6%	25%	25%	25%	6%	6%	6%	6%	10%	10%

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