THE HERITAGE INSURANCE COMPANY TANZANIA LIMITED

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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DIRECTORS, SENIOR MANAGEMENT AND OTHER COMPANY DETAILS
FOR THE YEAR ENDED 31 DECEMBER 2019

1 DIRECTORS

The directors of the Company at the date of this report, all of whom have served since 1 January 2019, are shown on page 5.

2 COMPANY SECRETARY

Gemma Moshy
P.O. Box 78196
Dar es Salaam

3 SENIOR MANAGEMENT

NAME	DESIGNATION	QUALIFICATION
N. Shanmugarajan	Chief Executive Officer	BSc,PGDBA,PGDCA,AIII
Thecla Magashi	Chief Financial Officer	CPA (T), MBA
Gilliard Mardai	General Manager	ADI, Licenciate in Insurance

4 AUDITORS

KPMG
The Luminary
Plot No. 574, Haile Selassie Road
Msasani Peninsula Area
P.O. Box 1160
Dar es Salaam

5 REGISTERED OFFICE

4th Floor Masaki Ikon
Bains Avenue - Msasani Peninsula
P.O. Box 7390, Dar es Salaam
Tanzania

6 PRINCIPAL BANKERS

Citibank Tanzania Limited
Serengeti House, 1962 Toure Drive
P.O. Box 71625, Dar es Salaam

Exim Bank Tanzania Limited
Exim Tower, 1404/45 Ghana Avenue
P.O. Box 1431, Dar es Salaam

Stanbic Bank Tanzania Limited
Stanbic house, 99 Kinondoni Road
P.O. Box 7725, Dar es Salaam

THE HERITAGE INSURANCE COMPANY TANZANIA LIMITED

CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

I am delighted to present the results of The Heritage Insurance Company Tanzania Limited for the year ended 31 December 2019. Over the past two decades, the company has continued to successfully maintain its position as one of the leading insurers in Tanzania.

The Company continues to be the insurer of choice, this can be evidenced by the growth achieved over the past years. 2019 was undoubtedly a good year for the Company, wherein the Company has recorded a growth of 28%, which is a commendable growth. This is attributable to the trust and strong business relationship built over the years with all our key stakeholders. Our financial strength is duly recognised by the Global Credit Rating Co (GCR) who revised the rating to AA-(TZ) in 2019 from AA-(TZ) in 2018 and this is evidenced by our prompt claims paying ability. We continue to keep our customers need as the top priority of our Company strategy and with the aim of ensuring delivery of prompt and efficient services.

OVERVIEW

According to reports from the National Bureau of Statistics published in third quarter of 2019, the Gross Domestic Product (GDP) of Tanzania advanced by 6.8% from a year earlier in the third quarter of 2019 compared to a 7.1% growth in the previous period. In 2019, the finance and insurance sector recorded growth of 4.6% compared to the 4.1% growth in prior year. The GDP Annual Growth Rate is projected to stand at 6.4% in 2020.

The Tanzanian Insurance industry continues to offer a range of opportunities in oil and gas, mining, aviation, tourism and other sectors. During the year, Tanzania Insurance Regulatory Authority (TIRA) in collaboration with the Bank of Tanzania (BoT) launched Bancassurance. This will enable insurance products to be distributed through bank networks in the country thus increasing penetration and availability of insurance products. Heritage, being one of the largest players in the market will be able to capitalize on this platform and offer various insurance products to the market which will strengthen the base for growth and prospects of the Company in future.

COMPANY PERFOMANCE REVIEW

The year 2019 saw an overall growth of the Company. In terms of Gross written premium (GWP) the Company grew by 24.9%, to Tshs 52.59 billion from Tshs 42.12 billion (2018) and the Net earned premium (NWP) increased by 19.3% over previous year. Growth at both levels was driven by the increase in new business, imposed regulations on risk externalization and retention of the existing clients across all channels.

Gross claims expenses stood at Tshs 18.7 billion (2018: Tshs. 12.8 billion) while the Net claims expenses stood at Tshs 5.7 billion (2018: Tshs 4.8 billion).

Operating expenses as a percentage of gross written premium have been maintained at 15%, the same as prior year which is higher than the international benchmark. We assure you that we are continuously working to ensure that the expenses are contained to guarantee a profitable growth.

Investment income earned during the year was Tshs 2.5 billion (2018: Tshs 2.2 billion) which is a growth of 14% as against the previous year. Our investment decisions are being carefully and prudently taken under the governance of Investment Committee and we ensure the maximum possible returns on our stakeholders' investment in the Company.

COMPANY PERFOMANCE REVIEW (CONTINUED)

The Company recorded a growth of 11% in its Underwriting Profit which stood at Tshs 2 billion as against Tshs 1.8 billion attained in the previous year. The Company attained a profit before tax of Tshs 3.4 billion against Tshs 4.5 billion attained the previous year, this is a drop of 24%. The decrease is mainly attributed to increase in expenses and a decrease in other income. The company strategy is to improve its net retention which will increase the profit margin in the coming years.

During the year the company paid an interim dividend of Tshs 3 billion. (2018: Tshs 3.1 billion).

Total company's' assets have grown by 23% from last year to Tshs 74 billion (2018: Tshs 60 billion), the Company remains strong and dynamic.

FUTURE OUTLOOK

During the year, the company opened our 3rd Customer Service Point in Zanzibar, giving more access and convenience to our clients in Zanzibar, in addition to the existing intermediaries. This adds up to our two existing customer servicing points in Dar es Salaam and Arusha. The company shall continue with the exploration of opportunities within the country and establish presence where beneficial. The Company continues to invest in Digital and Technological platforms to enable us to integrate most of the brokers and banks to ensure fast and efficient underwriting and claims processing. We believe Digital Insurance is an important milestone as digital insurance is in the realm of strengthening customer access to Insurance, making it extremely convenient for them to purchase and also promotes the cause of enhanced governance and transparency in the sector, which will go a long way in building public trust in Insurance.

The Company will continue focusing on diversification of its distribution channels and technological integration which will enable widening of the customer base and in turn enhance the relationship with the intermediaries. This will also enable to tap into the rural market and into the agricultural and the Micro insurance sector. We look upon all our stakeholders to lend us their continuous support as we leverage on all opportunities and build our company and nation at large.

APPRECIATION

We are grateful to all our stakeholder, to brokers, agents and banks who have supported the growth of this company throughout the year. Our strong relationship with the reinsurers has increased faith in the industry and our company has remained as the preferred insurer by both corporate and individual clients to who we extend our great appreciation. We appreciate the support we have with banks through the bank assurance channel.

We recognize the support of our shareholders. We appreciate your trust, confidence and the unconditional support bestowed upon us which has motivated us to work each day to grow the value of your investment in our Company.

We acknowledge the support and leadership provided by the Commissioner of Insurance to the industry through Tanzania Insurance Regulatory Authority (TIRA). The industry has implemented its directives and is now harvesting the benefits of prudent underwriting.

CHAIRMAN'S STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

APPRECIATION (CONTINUED)

My special appreciation goes to my fellow directors for their dedicated support and guidance throughout the year. To the Management and staff, I acknowledge their tireless commitment and dedication that they have in order to ensure that the company's brand remains strong and stable.

YOGESH M. MANEK
CHAIRMAN

30 March 2020
DATE

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors submit their report together with the audited financial statements for the year ended 31 December 2019, which disclose the state of affairs of The Heritage Insurance Company Tanzania Limited ("the Company").

1 INCORPORATION

The Company is incorporated in Tanzania under the Companies Act of 2002 as a limited liability company.

2 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 Tanzania insurance industry.

3 MISSION

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

4 PRINCIPAL ACTIVITIES

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

5 COMPOSITION OF THE BOARD OF DIRECTORS

The directors of the Company at the date of this report and who have served since 1 January 2019, except where otherwise stated, are:-

Name	Position	Nationality	Age
Yogesh M. Manek	Chairman	Tanzanian	64
MAC Group Limited	Company Director	Tanzanian	N/A
Michael L. du Toit	Director	South African	58
Juma V. Mwapachu	Director	Tanzanian	77
Peter N. Gethi	Director	Kenyan	54
Godfrey Kioi	Director	Kenyan	55
Ravi Singh	Director	South African	44

6 COMPANY SECRETARY

The Company's Secretary as at the date of the report was Mrs. Gemma Moshy.

7 CORPORATE GOVERNANCE

The Board of Directors consists of 7 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 three times a year. The Board delegates the day to day management of the business to the Chief Executive Officer assisted by the Management Team. The Management Team is invited to attend board meetings and facilitate the effective control of the Company's operational activities, acting as a medium of communication and coordination between the various departments.

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

Board Audit and Risk Committee

No.	Name	Position
1	Ravi Singh	Chairman
2	MAC Group Limited (Represented by Geetha Sivakumar)	Member
3	Michael L du Toit	Member
4	Peter N Gethi	Member

Board Investment Committee

No.	Name	Position
1	Michael L du Toit	Chairman
2	MAC Group Limited (Represented by Geetha Sivakumar)	Member
3	Yogesh M Manek	Member

Board Human Resources and Remuneration Committee

No.	Name	Position
1	Juma V Mwapachu	Chairman
2	Yogesh M Manek	Member
3	Godfrey Kioi	Member

During the year the Board of Directors held 3 meetings. The Board sub-committees held the following number of meetings: Audit and Risk Committee 4; Investment Committee 3; and Human Resources and Remuneration Committee 3 meetings.

8 RISK MANAGEMENT AND INTERNAL CONTROL

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

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

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance with 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 2019 and is of the opinion that they met accepted criteria.

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

9 CAPITAL STRUCTURE

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

10 MANAGEMENT TEAM

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

- Chief Financial Officer,
- General Manager.

11 SHAREHOLDERS OF THE COMPANY

The total number of shareholders during the year 2019 is 2 (2018: 2 shareholders). Two directors; **Mr. Yogesh M. Manek** has an indirect interest of 37.33% (2018: 37.33%) in the shares of the Company through his shareholding in MAC Group Limited. **MAC Group Limited, a Corporate Director,** holds 40 % of shares in the company. No other director hold shares of the Company.

11 SHAREHOLDERS OF THE COMPANY (CONTINUED)

The shares of the Company are held as follows:

Name of the Shareholder	Number of Shares held in 2019	Number of Shares held in 2018
Heritage Insurance Company Kenya Limited	**48,000**	48,000
MAC Group Limited	**32,000**	32,000
	80,000	80,000

12 FUTURE DEVELOPMENT PLANS

The Company will continue to improve its profitability through provision of efficiency and prompt services while carefully managing both costs and risks. The Company will also continue to focus on improving productivity while expanding to other Geographical areas and tapping into other market segments such as Bancassurance.

Based on gross premium written in the current year, the Company is one of the leading private insurance Companies in Tanzania. After deducting reinsurance premium, the Company registered net earned premium of Tshs 15.5 billion (2018: Tshs 12.5 billion).

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.

13 PERFORMANCE FOR THE YEAR

During the year the Company recorded a net profit after tax for the year of Tshs 2,186 million (2018: Tshs 3,102 million).

14 TRANSFERS TO RESERVE

An amount of TShs 437 million (2018: TShs 620 million), has been transferred from the retained earnings to a contingency reserve, in accordance with Regulation 27(2) (b) of the Insurance Act 2009.

15 DIVIDEND

The Board of Directors approved payment of an interim dividend of TShs 3.0 billion (2018: TShs 3.1 billion). No final dividend is being proposed. In making the proposal the directors have taken into account the dividend Policy which considers the financial position of the company and the need for future investment capital.

16 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.

17 PRINCIPAL RISKS AND UNCERTAINTIES

The principal financial risks that may significantly affect the Company's strategies and development are mainly insurance risk, credit risk, debt and equity market price, foreign currency exchange rate and interest rate risk. More details of the risks facing the Company are provided in Note 6 to the financial statements.

18 SERIOUS PREJUDICIAL MATTERS

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

19 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.

20 EMPLOYEES' WELFARE

Management and employees' relationship

There was continued good relation between employees and management for the year 2019.There were no unresolved complaints received by Management from the employees during the year. A healthy relationship continues to exist between management and staff.

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

Training facilities

During the year the Company spent TShs 50 million (2018: TShs 17 million) for staff training in order to improve employees' technical skills and hence effectiveness. Training programs have been and are continually being developed to ensure employees are adequately trained at all levels. All employees have some form of annual training to upgrade skills and enhance development.

Medical assistance

All members of staff and their spouses up to a maximum of four beneficiaries (dependents) 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 aptitude of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and appropriate training is arranged. It is the policy of the Company that training, career development and promotion of persons with disabilities should, as far as possible, be identical to that of other employees.

20 EMPLOYEES' WELFARE (CONTINUED)

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 57 (2018:52).

21 GENDER PARITY

The Company had 57 employees, out of which 27 were female and 30 were male (2018: female 25, male 27).

22 RELATED PARTY TRANSACTIONS

All related party transactions and balances are disclosed in note 35 to these financial statements.

23 POLITICAL AND CHARITABLE DONATIONS

The Company did not make any political donations during the year (2018: Nil). Donations made to charitable and other organizations during the year amounted to TShs 0.34 million (2018: TShs 1.2 million).

24 RELATIONSHIP WITH STAKEHOLDERS

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

25 CORPORATE SOCIAL RESPONSIBILITY (CSR)

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

26 APPROVAL OF FINANCIAL STATEMENTS

The financial statements set out on pages 18 to 70 were approved at a meeting of Directors on 30.... March 2020.

27 AUDITORS

KPMG have expressed their willingness to continue in office and are eligible for re-appointment. A resolution proposing the re-appointment of KPMG as auditors of the Company will be put to the annual general meeting.

BY ORDER OF THE BOARD

YOGESH M. MANEK **CHAIRMAN**	**GODFREY KIOI** **DIRECTOR**
30 March 2020 **DATE**	30 March 2020 **DATE**

STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2019

The Company's directors are responsible for the preparation of financial statements that give a true and fair view of The Heritage Insurance Company Tanzania Limited comprising the statement of financial position as at 31 December 2019, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2002.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the ability of the Company to continue as going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The auditors are responsible for reporting on whether the financial statements give a true and fair view in accordance with the applicable financial reporting framework.

Approval of financial statements

The financial statements of The Heritage Insurance Company Tanzania Limited, as identified in the first paragraph, were approved by the board of directors on 30 March 2020 and signed by:

YOGESH M. MANEK	**GODFREY KIOI**
CHAIRMAN	**DIRECTOR**
30 March 2020	30 March 2020
DATE	**DATE**

THE HERITAGE INSURANCE COMPANY TANZANIA LIMITED

DECLARATION OF THE CHIEF FINANCIAL OFFICER FOR THE PERIOD ENDED 31 DECEMBER 2019

The National Board of Accountants and Auditors (NBAA) according to the power conferred under the Auditors and Accountants (Registration) Act. No. 33 of 1972, as amended by Act No. 2 of 1995, requires financial statements to be accompanied with a declaration issued by the Head of Finance responsible for the preparation of financial statements of the entity concerned.

It is the duty of a Professional Accountant to assist the Board of Directors to discharge the responsibility of preparing financial statements of an entity showing true and fair view of the entity position and performance in accordance with applicable International Accounting Standards and statutory financial reporting requirements. Full legal responsibility for the preparation of financial statements rests with the Board of Directors as under Directors Responsibility statement on an earlier page.

I *Thecla Magashi*, being the Chief Financial Officer of The Heritage Insurance Company Tanzania Limited hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2019, have been prepared in compliance with applicable accounting standards and statutory requirements.

I thus confirm that the financial statements of The Heritage Insurance Company Tanzania Limited comply with applicable accounting standards and statutory requirements as on that date and that they have been prepared based on properly maintained financial records.

Signed by:..

Position: Chief Financial Officer

NBAA Membership No.: ACPA 2045

Date: 30 March 2020

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REPORT OF THE INDEPENDENT AUDITORS' TO THE MEMBERS OF THE HERITAGE INSURANCE COMPANY TANZANIA LIMITED

Report on the Audit of the financial statements

Opinion

We have audited the financial statements of Heritage Insurance Company Tanzania Limited ("the Company"), set out on pages 18 to 70 which comprise the statement of financial position as at 31 December 2019 and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Heritage Insurance Company Tanzania Limited as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act, 2002.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Tanzania*, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The impact of uncertainties due to the Covid-19 on our audit

As disclosed in note 34 to the financial statements, Covid-19 affects the Company and results in certain uncertainties for the future financial position and performance of the Company. Uncertainties related to the potential effects of Covid-19 are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the Company, the related disclosures and the appropriateness of the going concern assumption in the financial statements. The appropriateness of the going concern assumption depends on assessment of the future economic environment and the Company's future prospects and performance. The Covid-19 pandemic is an unprecedented challenge for humanity and for the economy globally, and at the date of this report its effects are subject to levels of uncertainty. An audit cannot predict the unknowable factors or all possible future implications for the Company and this is particularly the case in relation to Covid 19.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG

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

Report on the Audit of the financial statements (Continued)

Key Audit Matters (Continued)

Key audit matter	How the matter was addressed in our audit
Insurance contract liabilities - TZS 19.9 billion Refer to Note 5(a)(ii) and 26 to the financial statements	
Estimates are made for both expected ultimate costs of claims reported and claims Incurred but not Reported (IBNR) at the end of the reporting date. The estimate of IBNR is generally subject to a greater degree of uncertainty than that for reported claims.	Our audit procedures in this area included, among others: • Evaluating and testing the key controls around the claims handling and reserve setting processes of the Company. • Checking for any unrecorded liabilities at the end of the financial period.

Key audit matter	How the matter was addressed in our audit
Some of the underlying techniques applied in the estimation of liability include the Company's past claims experience which is used to project future claims development and hence ultimate costs. Additional qualitative judgment is used to assess the extent to which past trends may not apply in future (for example to reflect one-off occurrences, changes in external or market factors such as public attitudes to claims, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all uncertainties involved. As a result of the significant judgment and estimates applied in determination of insurance contract liabilities, we have considered this area to be a key audit matter.	• Checking samples of claims reserves through comparing the estimated amount of the reserve to appropriate documentation, such as reports from loss adjusters. • Re-performing reconciliations between the claims data recorded in the financial systems and the data used in the incurred but not reported (IBNR) reserving calculations. • Re-computing the IBNR and compared to the one computed by management. • Checking the past trends of the claims by comparing prior years incurred claims but reported in the current year and compared with the IBNR provision in prior year. • Evaluating the adequacy of disclosures in the financial statements, including disclosures for key judgments and estimates related to insurance contract liabilities.

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

Report on the Audit of the financial statements (Continued)

Key Audit Matters (Continued)

Valuation of investments – TShs 5.01 billion

Refer to Notes 5(f)(v), 17, 22 and 23 to the financial statements.

The Company has investments in Corporate bonds amounting to TShs 148 million, Government bonds amounting to TShs 3.95 billion and Unquoted shares in Tanzania Reinsurance Company (TAN Re) amounting to TShs 917 million. All of these investments are valued at fair value. There is significant focus in ensuring that bonds held at fair value and unquoted shares are valued properly. The directors apply significant judgment to use comparable multiples techniques for valuing unquoted shares that are not based on observable market data.	Our audit procedures in this area included, among others: • Involving our valuation specialist to assist in evaluating the investment valuation performed by the Company's independent valuer and challenging the assumptions applied by comparing inputs in the valuation to the benchmarks. • Evaluating and testing key controls around the investments valuation process. • Assessing the competence, capability and objectivity of the Company's valuer who perform the investment valuation.
Key audit matter	**How the matter was addressed in our audit**
This includes critical management judgment in the selection of the valuation technique and inputs used in such valuation. The Company uses an interpolation of the weighted annual yield to maturity of different Treasury bills and bond tenures in estimating the fair value of the government and corporate bonds. The valuation of financial investments held at fair value is based on a range of inputs. Where observable market data is not available, estimates must be developed based on the most appropriate source data and are subject to judgement. Because of the significant estimates and judgments involved in the valuation, we have considered this area to be a key audit matter.	

Other Information

The Directors are responsible for the other information. The other information comprises the *Directors, Senior Management and Other Company details, Chairman's statement, Report of Directors, Statement of Directors' responsibilities, Declaration of Chief Financial Officer and the General Insurance Business Revenue Account 2019 (set on page 71 to 72)*. The other information does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

KPMG

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

Report on the Audit of the financial statements (Continued)

Other Information (Continued)

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Statements

As stated on page 11, the directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2002, and for such internal control as directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Directors are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

KPMG

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

Report on the Audit of the financial statements (Continued)

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by the Companies Act, 2002 we report that:

- in our opinion, proper accounting records have been kept by The Heritage Insurance Company Tanzania Limited;
- the individual accounts are in agreement with the accounting records of the company; and
- we obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

KPMG
Certified Public Accountants (T)

KPMG

Signed by: CPA Vincent Onjala (TACPA 2722)
Dar es Salaam

Date: 30 - 03 - 2020

THE HERITAGE INSURANCE COMPANY TANZANIA LIMITED

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 TShs'000	2018 TShs'000
Insurance premium revenue	7	**52,585,468**	42,127,064
Insurance premium ceded to reinsurers		**(37,113,448)**	(29,640,882)
Net insurance premium revenue		**15,472,020**	12,486,182
Investment income	8	**2,457,567**	2,153,494
Commission earned		**6,579,725**	4,381,406
Fair value gain		**32,427**	334,746
Other income	9	**156,413**	579,344
Net income		**24,698,152**	19,935,172
Insurance claims	10	**(18,761,148)**	(12,763,043)
Insurance claims recovered from reinsurers	10	**13,006,145**	7,922,164
Net insurance claims	10	**(5,755,003)**	(4,840,879)
Operating expenses	11	**(7,923,644)**	(6,187,929)
Commission expense		**(7,559,990)**	(4,401,824)
Profit from operations		**3,459,515**	4,504,540
Finance cost	16	**(44,725)**	-
Profit before income tax		**3,414,790**	4,504,540
Income tax expense	12	**(1,228,961)**	(1,402,640)
Profit for the year		**2,185,829**	3,101,900
Other comprehensive income		**-**	-
Total comprehensive income for the year		**2,185,829**	3,101,900

THE HERITAGE INSURANCE COMPANY TANZANIA LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Notes	2019 TShs'000	2018 TShs'000
ASSETS			
Property and equipment	15(a)	1,061,988	450,767
Intangible assets	15(b)	497,697	441,015
Equity investment at fair value through profit or loss (unquoted)	17	917,941	897,999
Receivables arising out of reinsurance arrangements	6	4,444,790	2,277,291
Reinsurers' share of insurance liabilities	18	26,034,505	19,793,392
Deferred acquisition cost	19(a)	1,937,742	2,024,321
Deferred tax asset	20(a)	924,599	1,042,698
Income tax recoverable	20(b)	529,061	-
Other receivables	21	1,520,920	278,042
Government securities at fair value through profit or loss	22	3,947,893	4,099,978
Corporate bonds at fair value through profit or loss	23	148,270	161,013
Deposits with financial institutions	24	30,051,505	24,478,876
Cash and bank balances	25	1,911,040	4,345,769
Total assets		73,927,951	60,291,161
LIABILIITIES			
Insurance contract liabilities	26	19,880,572	15,896,425
Unearned premiums	27	15,439,704	13,066,561
Lease Liabilities	16	692,137	-
Creditors arising from direct insurance		81,534	151,592
Payables arising from reinsurance arrangements	28	11,024,009	4,959,315
Deferred acquisition income	19(b)	1,578,787	1,948,359
Other payables	29	10,299,784	8,462,941
Income tax payable	20(b)	-	60,373
Total liabilities		58,996,527	44,545,566
EQUITY			
Share capital		8,000,000	8,000,000
Contingency reserve		7,228,498	6,791,332
Retained earnings		(297,074)	954,263
Total equity	14	14,931,424	15,745,595
Total equity and liabilities		73,927,951	60,291,161

The financial statements on pages 18 to 70 were approved for issue by the board of directors on 30 March ..... 2020 and were signed on its behalf by:

YOGESH M. MANEK	**GODFREY KIOI**	**N. SHANMUGARAJAN**
CHAIRMAN	**DIRECTOR**	**CHIEF EXECUTIVE OFFICER**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Share Capital TShs'000	Contingency reserve TShs'000	Retained earnings TShs'000	Total TShs'000
Year ended 31 December 2019				
Balance at 1 January 2019	**8,000,000**	**6,791,332**	**954,263**	**15,745,595**
Total comprehensive income for the year				
Profit for the year	-	-	**2,185,829**	**2,185,829**
Other comprehensive income net of tax:	-	-	-	-
Total comprehensive income for the year	-	-	**2,185,829**	**2,185,829**
Transfer to contingency reserve	-	**437,166**	**(437,166)**	-
Transactions with owners:				
Payment of interim dividend 2019	-	-	**(3,000,000)**	**(3,000,000)**
Total transactions with owners	-	**437,166**	**(3,437,166)**	**(3,000,000)**
Balance at 31 December 2019	**8,000,000**	**7,228,498**	**(297,074)**	**14,931,424**
Year ended 31 December 2018				
Balance at 1 January 2018	8,000,000	6,170,952	1,572,743	15,743,695
Total comprehensive income for the year				
Profit for the year	-	-	3,101,900	3,101,900
Other comprehensive income net of tax:	-	-	-	-
Total comprehensive income for the year	-	-	3,101,900	3,101,900
Transfer to contingency reserve	-	**620,380**	**(620,380)**	-
Transactions with owners:				
Payment of dividend for 2018	-	-	(3,100,000)	(3,100,000)
Total transactions with owners	-	620,380	(3,720,380)	(3,100,000)
Balance at 31 December 2018	8,000,000	6,791,332	954,263	15,745,595

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 TShs'000	2018 TShs'000
Cash flows from operating activities			
Cash generated from operations	31	**5,738,450**	3,663,691
Dividend received		**24,771**	50,919
Interest received		**2,434,963**	528,200
Tax paid		**(1,700,296)**	(641,823)
Net cash generated from operating activities		**6,497,888**	3,600,987
Cash flows from investing activities			
Purchase of items of motor vehicles and equipment	15(a)	**(85,630)**	(98,086)
Purchase of items of intangible assets	15(b)	**(222,418)**	(455,831)
Purchase of bonds		**-**	(481,302)
Proceeds from disposal of items of motor vehicles and equipment		**76,435**	38,349
Net change in investments		**3,798,753**	3,754,846
Proceeds from disposal of quoted shares		**-**	2,080,684
Proceeds from sale of bonds		**175,146**	426,600
Net cash generated from investing activities		**3,742,286**	5,265,260
Cash flows from financing activities			
Payment of lease liabilities	16	**(303,521)**	-
Dividends paid		**(3,000,000)**	(3,100,000)
Net cash used in financing activities		**(3,303,521)**	(3,100,000)
Net increase in cash and cash equivalents		**6,936,653**	5,766,247
Cash and cash equivalents at the beginning of the year		**13,644,489**	7,878,242
Cash and cash equivalents at the end of the year	25	**20,581,142**	13,644,489

1. REPORTING ENTITY

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 Financial Statements of the Company are for the period ended 31 December 2019.

2. BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act, 2002.

This is the first set of the Company ' s financial statements in which IFRS 16 Leases have been applied. Changes to significant accounting policies are described in Note 5.

3. FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in "thousands" Tanzanian Shillings (TZS), which is the Company's functional currency. All financial information presented in TZS has been rounded in the nearest thousand (TZS '000'), unless otherwise indicated.

4. USE OF ESTIMATES AND JUDGMENTS

In preparing these financial statements management made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

(a) Judgments

Below are the areas of estimation uncertainties that have a significant risk of resulting in a material adjustment in the subsequent financial year(s):

i. Insurance contract liabilities

The estimation of future benefit payments from insurance contracts 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. Management applies judgment in the estimation of incurred but not yet reported claims (IBNR) whereby the Company uses historical experience to estimate the ultimate cost of claims and the IBNR provision. 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 claims data for each accident year that is not fully developed to produce an estimated ultimate claims cost for each accident year.

Refer to Note 30 for movements in insurance liabilities and reinsurance assets, where estimates have been used in determining the outstanding claims provision.

4. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

(a) Judgments (continued)

ii. Taxes

Significant assumptions are required in determining the Company's overall income tax provision and recognition of deferred tax. There are many transactions and calculations, for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues, based on estimates of whether additional taxes will be due. When the final outcome of tax matters is different from the amounts that were initially recorded, such differences will have an impact on the current and any deferred income tax provisions in the period in which the determination is made.

iii. Asset useful lives

The useful lives of items of property, plant and equipment are estimated annually and are in line with the rate at which they are depreciated.

iv. Impairment of non-financial assets

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash.

v. Measurement of ECL allowance for insurance and reinsurance receivable

The credit risk of customers is regularly assessed with a focus on the customer's ability and willingness to pay, reflected by the Company's estimation of the expected credit loss allowance on trade receivables. The Company estimates expected credit loss by assessing the loss that will be incurred given customer default based on past payment experience and adjusted by the cash flow expected from collateral or credit risk mitigation received where these are considered to be integral to the asset, and by assessing the probability of default taking into account information specific to the customer as well as pertaining to the country and economic environment in which the customer operates. The estimate also incorporates forward looking data.

Impairment is assessed on an individual basis for insurance and reinsurance receivables meeting pre- determined criteria, including customers in financial difficulties, and contracts with risk mitigation arrangements or significant financing arrangements, amongst others. Apart from receivables and contract assets that have been assessed and provided for individually, allowances are estimated using provision matrices by management with reference to the customers ' credit risk ratings and aging analysis of the remaining trade receivable balances. Different provision matrices have been developed by the Company based on different customer groups which exhibit different risk characteristics.

If the financial condition of customers were to deteriorate or improve, or actual future economic performance is different to the Company's estimates, additional allowances or reversals may be required in future periods.

vi. Measurement of fair values

Valuation of unquoted equity investments

The Company uses comparable multiples techniques for valuing unquoted shares that are not based on observable market data. The Company reviewed several valuation techniques and selected a most appropriate one. The critical management judgment is in the selection of the valuation technique and inputs used in such valuation.

4. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

(a) Judgments (continued)

vi. Measurement of fair values

Valuation of Government and corporate bonds

The Company uses yield to maturity in estimating the fair value of the government and corporate bonds. This is computed by interpolation of the weighted annual yield to maturity of different Treasury bill and bond tenures based on the last auction results published by the Bank of Tanzania.

(b) Measurement of fair values

A number of the Company's accounting policies and disclosure require the measurement of fair values. Management had overall responsibility for overseeing all significant fair value measurements.
When measuring the fair value of an asset or a liability, the Company uses observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input that is significant to the entire measurement.
The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

- Level 2: Inputs other than quoted prices included within level 1 that are observable either directly or indirectly or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

- Level 3: Inputs that are unobservable. This category includes instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on their valuation.

Further information about the assumptions made in measuring fair values is included in Note 25-financial instruments.

5. SIGNIFICANT ACCOUNTING POLICIES

I.New standards, amendments and interpretations effective and adopted during the year

The Company initially applied IFRS 16 Leases from 1 January 2019. A number of other new standards are also effective from 1 January 2019, but they do not have a material effect on the Company's financial statements.

IFRS 16 Leases

At inception of a contract, the Company assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. New standards, amendments and interpretations effective and adopted during the year (continued)

IFRS 16 Leases (continued)

To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information are not restated and continues to be reported under IAS 17 and IFRIC 4. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

(i) Definition of a lease

Before 1 January 2019, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining Whether an Arrangement contains a Lease. From 1 January 2019, the Company assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applied IFRS 16 using the modified retrospective approach, of which the lease liability was measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. Furthermore, the Company has recognized right-of-use asset at the date of initial application for leases previously classified as an operating lease applying IAS 17. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

(ii) As a lessee

As a lessee, the Company has lease contracts for various buildings used in its office operations. Leases of buildings generally have lease terms between 2 and 5 years.

Before 1 January 2019, the Company classified leases as operating or finance lease based on its assessment of whether the lease transferred substantially all of the risks and rewards incidental to the ownership the underlying asset as a lessee. After adoption of IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases.

However, the Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. Short-term lease refers to a lease that, at the commencement date, has a lease term of 12 months or less. Lease of a low-value asset refers to a lease for which the underlying asset is typically of low value when the asset is new, such as printers and photocopiers. The Company recognizes the lease payments associated with these leases as an expense on either a straight-line basis over the lease term or another systematic basis.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. New standards, amendments and interpretations effective and adopted during the year (continued)

(ii) As a lessee (continued)

Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

Policy applicable from 1 January 2019 as a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right -of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incured and an estimate of costs to dismantle and remove the underlying assets or to restore the underlying asset or the site on which it is located, less any lease incentive received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of- use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from external financing sources and make adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. New standards, amendments and interpretations effective and adopted during the year (continued)

(ii) As a lessee (continued)

Policy applicable from 1 January 2019 as a lessee (continued)

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognized in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has applied judgment to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which may significantly affects the amount of lease liabilities and right-of-use assets recognised.

The Company has elected not to recognize right-of-use assets and lease liabilities for a leases of short-term leases (lease period less than 12 months) and low-value assets including e-printers. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

Policy applicable before 1 January 2019

The Company's leases are operating leases which do not transfer substantially all the risks and rewards of ownership to the Company.

Payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covering the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognized in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

Effects of the adoption of IFRS 16

On transition to IFRS 16, the Company recognized right-of-use assets and lease liabilities. The impact on transition is summarised below;

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. New standards, amendments and interpretations effective and adopted during the year (continued)

(ii) As a lessee (continued)

Policy applicable before 1 January 2019 (continued)

	1 January 2019 Tshs'000
Assets	
Right-of-use assets	895,776
Liabilities	
Lease liabilities	895,776

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied is 6% (All lease contracts are in USD).

II. Relevant new standards, amendments and interpretations issued but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2020 and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below. The Company do not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated:

New standard or amendments	Effective for annual periods beginning on or after
• IFRS 17 Insurance Contracts	1 January 2021
• Conceptual Framework amendments: *Amendments to References to Conceptual Framework in IFRS Standards*	1 January 2020
• Definition of Material: Amendments to IAS 1 and IAS 8	1 January 2020

IFRS 17 Insurance Contracts

IFRS 17 supersedes IFRS 4 *Insurance Contracts* and aims to increase comparability and transparency about profitability. The new standard introduces a new comprehensive model ("general model") for the recognition and measurement of liabilities arising from insurance contracts. In addition, it includes a simplified approach and modifications to the general measurement model that can be applied if and only if, at the inception of a contract, one of the following conditions are met.

- The entity reasonably expects that such simplification would produce a measurement of the liability for remaining coverage for the group that would not differ materially from the measurement that would be produced applying the requirements for the general model
- The coverage period of each contract in the group is one year or less.

IFRS 17 requires an entity that issues insurance contracts to report them in the statement of financial position as a total of:

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

II. Relevant new standards, amendments and interpretations issued but not yet effective (continued)

IFRS 17 Insurance Contracts (continued)

a) The fulfilment cash flows – the current estimates of amounts that the entity expects to collect from premiums and pay-out for claims, benefits and expenses, including an adjustment for timing and risk of those amounts; and

b) The contractual service margin – the expected profit for providing insurance coverage. The expected profit for providing insurance coverage is recognised in profit or loss over time as the insurance coverage provided.

Under the new standard, investment components are excluded from insurance revenue and service expenses. Entities can also choose to present the effect of changes in discount rates and other financial risks in profit or loss or OCI.

The new standard includes various new disclosures and requires additional granularity in disclosures to assist users to assess the effects of insurance contracts on the entity's financial statements.

The entity has performed a preliminary analysis of the contracts held and have primarily focused on the eligibility criteria for using the simplified approach to the general measurement model. Based on this assessment, all the contract classes issued by the entity will be eligible to be measured by the simplified approach (using the second condition above) except for the Engineering class of business of which, the entity would need to consider all relevant facts and circumstances to assess whether measurement differences between the two approaches do not "differ materially" for this class to be eligible for the simplified approach.

The entity continues to assess the impact of IFRS 17 and will provide more detailed disclosure on the impact in future financial statements.

The standard is effective for annual periods beginning on or after 1 January 2021. Early adoption is permitted.

Amendments to References to Conceptual Framework in IFRS Standards

The IASB decided to revise the Conceptual Framework because certain important issues were not covered, and certain guidance was unclear or out of date. The revised Conceptual Framework, issued by the IASB in March 2018, includes:

- A new chapter on measurement;
- Guidance on reporting financial performance;
- Improved definitions of an asset and a liability, and guidance supporting these definitions; and
- Clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Definition of Material (Amendments to IAS 1 and IAS 8)

The IASB refined its definition of material to make it easier to understand. It is now aligned across IFRS Standards and the Conceptual Framework.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

II. Relevant new standards, amendments and interpretations issued but not yet effective (continued)

Definition of Material (Amendments to IAS 1 and IAS 8) (continued)

The changes in Definition of Material (Amendments to IAS 1 and IAS 8) all relate to a revised definition of 'material' which is quoted below from the final amendments, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The Board has also removed the definition of material omissions or misstatements from IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The amendments are effective from 1 January 2020 but may be applied earlier. However, the Board does not expect significant change – the refinements are not intended to alter the concept of materiality.

The adoption of these changes will not have significant impact on the financial statements of the Company.

III. Accounting policies applied consistently to all periods presented in these financial statements:

(a) Insurance contracts

Classification

Insurance contracts are those contracts that transfer significant insurance risk.

Classes of General Insurance Include Aviation insurance, Engineering insurance, Fire insurance – domestic risks, Fire insurance – industrial and commercial risks, Liability insurance, Marine insurance, Motor insurance – private vehicles, Motor insurance – commercial vehicles, Personal accident insurance, Theft insurance, Workmen's Compensation and Employer's Liability insurance and Miscellaneous insurance (i.e. class of business not included under those listed above)

Recognition and measurement

i) Premium income

Premium income is recognized 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 Statement of financial position date, and are calculated using the 1/365th met or for all classes other than marine and 1/6th method for marine.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

III. Accounting policies applied consistently to all periods presented in these financial statements: (Continued)

(a) Insurance contracts (continued)

Recognition and measurement (Continued)

ii) Claims

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 statement of financial position 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 statement of financial position date based on the Company's experience but subject to the minimum percentages set by the Commissioner of Insurance. Outstanding claims are not discounted.

iii) Commission earned and payable and deferred acquisition costs (DAC)

Commissions earned and payable are recognized in the period in which relevant premiums are written. A proportion of commissions' payable and earned is deferred and amortized over the period in which the related premium is earned. Deferred acquisition costs represent a proportion of acquisition costs that relate to policies that are in force at the year end.

iv) Liability adequacy test

At each financial reporting date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related DAC. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to profit or loss as part of claims incurred.

Contracts entered by the Company with reinsures under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered by the Company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

v) Reinsurance contracts held

The benefits to which the Company is entitled under its reinsurance contracts held are recognized as reinsurance assets. These assets consist of short-term balances due from reinsures. Amounts recoverable from or due to reinsures are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognized as an expense when due.

The Company assesses its reinsurance assets on a net basis for impairment on a yearly basis. If there is objective evidence that the reinsurance asset net of reinsurance liability is impaired,

The Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss in the profit or loss.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

III. Accounting policies applied consistently to all periods presented in these financial statements: (Continued)

(a) Insurance contracts (continued)

Recognition and measurement (Continued)

vi) Receivables and payables relating to insurance and investment contracts

Receivables and payables are recognized when due. These include amounts due to and from agents, brokers, reinsurers and insurance contract holders. If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognizes that impairment loss in the profit or loss. The Company gathers the objective evidence that an insurance receivable is impaired using the parameters mentioned in its credit policy.

vii) Salvage

Some insurance contracts permit the Company to sell (usually damaged) property acquired in settling a claim (for example, salvage).

Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvage property is recognized in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the property.

(b) Revenue recognition

i) Insurance premium revenue

The revenue recognition policy relating to insurance contracts is set out under note (a) (i) above.

ii) Commissions earned

Commissions receivable are recognized as income in the period in which they are earned.

iii) Interest income

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

iv) Investment income

Investment income is stated net of investment expenses. Investment income is recognized on a time proportion basis that takes into account the effective interest yield on the asset.

v) Dividend income

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

III. Accounting policies applied consistently to all periods presented in these financial statements: (Continued)

(c) Property and equipment

All items of Property and equipment are initially recorded at cost. They are subsequently stated at historical cost less depreciation. Depreciation is calculated as per the requirements of

All items of property and equipment are initially recorded at cost. They are subsequently stated at historical cost less depreciation. Depreciation is calculated as per the requirements of IAS 16 i.e., when the asset is available for use. It is calculated on the straight-line basis to write down the cost of each asset to its residual value over its estimated useful life. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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

Gains and losses on disposal of items of property and equipment are determined by comparing the proceeds from disposal with the carrying amounts of the item and are recognized in profit or loss in other income. The asset's residual values, depreciation methods and useful lives are reviewed at each reporting date and adjusted, if appropriate.

(d) Intangible assets

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

Costs associated with minor customization or maintaining computer software programmes are recognized 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 recognized as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognized as assets are amortized over their estimated useful lives (not exceeding three or five years).

(e) Impairment of non-financial assets

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

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

III. Accounting policies applied consistently to all periods presented in these financial statements: (Continued)

(f) Financial assets and financial liabilities

i) Recognition

The Company initially recognise loans and receivables on the date on which they are originated. All other financial instruments are recognised on the trade date, which is the date on which the Company becomes party to the contractual provisions of the instrument

A financial asset or liability is initially measured at fair value plus (for an item not subsequently measured at fair value through profit or loss) transaction costs that are directly attributable to its acquisition or issue. Subsequent to initial recognition, financial liabilities (deposits and debt securities) are measured at their amortized cost using the effective interest method.

ii) Classification

Financial assets

On initial recognition, a financial asset is classified as measured at; amortised cost, Fair Value through Other Comprehensive Income (FVOCI) or FVPTL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payment of Principal and Interest (SPPI) on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL;

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial assets and financial liabilities (Continued)

iii) Business model assessment

The Company assesses the objective of a business model in which an asset is held at portfolio level because this best reflects the way business is managed and information is provided to management. The information considered includes how the performance of the portfolio is evaluated and reported to management and how managers of the business are compensated.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

iv) Assessment whether contractual cash flows are Solely Payments of Principal and Interest (SPPI Test)

For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for credit risk associated with the principal amount outstanding during particular period of time and other basic lending risks and costs (e.g. liquidity risk and administrative costs) as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of the contractual cash flows such that it would not meet this condition.

In making the assessment, the Company considers among others, prepayment and extension terms; features that modify consideration of the time value of money and contingent events that would change the amount and timing of cash flows.

v) Equity instruments

The Company has elected at initial recognition to irrevocably designate an equity investment, held for purposes other than trading, at FVOCI. The fair value changes, including any associated foreign exchange gains or losses, are recognized in OCI and are not subsequently reclassified in the Statement of Profit or Loss and Other Comprehensive Income, including upon disposal. Realized gains and losses are transferred directly to retained earnings upon disposal.

Consequently, there is no review required for impairment. Dividends will normally be recognized in the Statement of Profit or Loss and Other Comprehensive Income.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

Financial liabilities

The Company classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised costs.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial assets and financial liabilities (Continued)

vi) Derecogntion

Financial assets

The Company derecognizes a financial asset when the contractual rights to cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset or (the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been derecognised in OCI is recognised in profit or loss.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

vii) Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, then the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in de-recognition of the financial asset. In this case, the bank recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

If the modification or a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Company first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss.

Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial assets and financial liabilities (Continued)

vii) Modification of financial assets and financial liabilities (continued)

Financial liabilities

The Bank derecognises a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

viii) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realises the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

ix) Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficiency frequency and volume to provide price information on an ongoing basis.

It there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs.

The choose valuation technique incorporate all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e the fair value of the consideration given or received. If the Company determines the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is wholly supported by observable market data or the transaction is closed out.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment of financial assets

The Company recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL

Financial assets that are debt instruments (amortised cost and FVOCI) including loans and advances;
Insurance and Reinsurance receivables out of policy period

No impairment loss is recognised on equity investments.

The Company measures loss allowance at an amount equal to lifetime ECL, except for the following for which they are measured as 12-month ECL:

- Debt instrument that are determined to have low credit risk at the reporting date including investment in government securities.
- Other financial instruments on which credit risk has not increase significantly since their initial recognition.

The Company considers a debt investment security to have low credit risk when its credit risk is equivalent to the globally understood definition of 'investment grade'

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which 12-month ECL is recognised are referred as 'Stage 1 financial instruments'.

Life-time ECL are the ECL that the results from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred as 'Stage 2 financial instruments'

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows;

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and cash flows that the Company expects to receive);

- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;

- Insurance and Reinsurance receivables outside the policy period at the historical loss rate, current situation and forward-looking information.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI, are credit impaired. A financial asset is 'credit impaired' when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment of financial assets (Continued)

Credit-impaired financial assets (Continued)

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- its becoming probable that the borrower will enter bankruptcy or other financial reorganisation or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-off

Financial assets at both amortised and FVOCI are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(h) Share Capital

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

Incremental costs directly attributable to issue of new ordinary shares are shown in equity as deduction from the proceeds net of tax.

(i) Retirement benefit obligations

(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. All employees of the Company are members of the National Social Security Fund (NSSF).The Company ceased contributions to PSSSF in 2018.
The Company's contributions to the defined contribution schemes are charged to profit or loss in the period to which they relate. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relative to employee service in the current and prior periods.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Retirement benefit obligations (continued)

(ii) Annual leave

The estimated monetary liability for employees' accrued annual leave entitlement at statement of financial position date is recognized as an expense accrual.

(j) Income tax

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

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Tanzanian Income Tax Act, 2004.

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 statement of financial position date and are expected to apply when the related deferred income tax liability is settled.

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

(k) Dividends

Dividends on ordinary shares are recognized 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.

(l) Comparatives

Where necessary, comparative information has been adjusted to conform to changes in presentation in the current year.

(m) Contingency reserves

The Contingency reserve is calculated annually as the higher 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.

6. 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 summarizes 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 thousands of Tanzanian Shillings (gross and net of reinsurance) arising from insurance contracts:

6. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

Concentration of Insurance liabilities by class of business

Year ended 31 December 2019

Class of business		Maximum insured loss: TShs 0 m to 50 m	TShs 50 m to 500 m	TShs 500 m to 5,000,000 m	Total
		TShs'000	TShs'000	TShs'000	TShs'000
Motor	Gross	98,356,943	176,805,650	86,788,705	361,951,298
	Net	89,908,296	152,165,391	77,209,163	319,282,850
Fire	Gross	7,410,193	172,324,886	31,897,526,389	32,077,261,468
	Net	6,596,846	151,492,710	1,458,952,219	1,617,041,775
Other	Gross	10,383,319	209,748,401	13,070,296,433	13,290,428,153
	Net	3,615,766	163,286,264	886,193,979	1,053,096,009
Total	**Gross**	116,150,455	558,878,937	45,054,611,527	45,729,640,919
	Net	100,120,908	466,944,365	2,422,355,361	2,989,420,634

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

6. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

Concentration of Insurance liabilities by class of business (continued)

Year ended 31 December 2018

Class of business		Maximum insured loss TShs 0 m to 50 m	TShs 50 m to 500 m	TShs 500 m to 5,000,000 m	Total
		TShs'000	TShs'000	TShs'000	TShs'000
Motor	Gross	7,532,070	17,974,298	13,198,695	38,705,063
	Net	7,039,737	5,422,668	5,712,333	18,174,738
Fire	Gross	8,199,697	121,253,248	8,159,393,595	8,288,846,540
	Net	22,289,079	97,085,131	83,095,498	202,469,708
Other	Gross	25,774,410	251,419,384	3,347,611,268	3,624,805,062
	Net	156,986,969	549,873,478	1,907,392,726	2,614,253,173
Total	Gross	41,506,177	390,646,930	11,520,203,558	11,952,356,665
	Net	186,315,785	652,381,277	1,996,200,557	2,834,897,619

6. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

Financial risk

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

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

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

Credit risk

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

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

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

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

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. Where there exists significant exposure to individual policyholders, or homogenous groups of policyholders, a financial analysis equivalent to that conducted for reinsurers is carried out by the Company risk department.

The maximum exposure to credit risk at 31 December 2019 is the carrying value of the financial assets in the statement of financial position.

There was no collateral held in respect of the financial assets in the statement of financial position.

6. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

Credit risk (continued)

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

	Direct insurance arrangements		Reinsurance arrangements	
	2019	2018	2019	2018
	TShs '000	TShs '000	TShs '000	TShs '000
Neither past due nor impaired	-	-	27,990,331	19,807,544
Past due but not impaired	-	-	1,822,695	1,518,631
Impaired	1,165,289	1,326,544	2,062,423	2,140,661
Gross	1,165,289	1,326,544	31,875,449	23,466,836
Less: Provision for impairment	(1,165,289)	(1,326,544)	(1,396,154)	(1,396,154)
	-	-	30,479,295	22,070,683

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

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

	2019	2018
	TShs '000	TShs '000
Past due but not impaired:		
- by up to 30 days	14,152	14,152
- by 31 to 60 days	98,994	98,994
- by 61 to 150 days	976,499	976,499
- by 151 to 360 days	291,518	291,518
Total past due but not impaired	1,381,163	1,381,163

All impaired receivables have been individually assessed:

	Direct insurance arrangements		Reinsurance arrangements	
	2019	2018	2019	2018
	TShs '000	TShs '000	TShs '000	TShs '000
Individually assessed impaired receivables				
- brokers	1,008,970	1,096,913	-	-
- direct clients	156,319	229,631	-	-
- Insurance companies	-	-	1,396,154	1,396,154
	1,165,289	1,326,544	1,396,154	1,396,154

6. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

Credit risk (continued)

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

	Direct insurance arrangements		Reinsurance arrangements	
	2019	2018	**2019**	2018
	TShs '000	TShs '000	**TShs '000**	TShs '000
At beginning of year	**1,326,544**	2,376,862	1,396,154	1,189,772
Provision/(Release) for impairment	**(161,255)**	(1,050,318)	-	206,382
At end of the year	**1,165,289**	1,326,544	**1,396,154**	1,396,154

Market risk

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 2019, if the Tanzanian Shilling had strengthened/weakened by 3% against the US dollar, with all other variables held constant, post-tax profit for the year would have been TShs 625 million lower/higher (2018: 1,320 million), mainly as a result of foreign exchange loss/gains on translation of US dollar denominated balances (receivables, payables, investments and cash and bank).

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.

6. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

Liquidity risk (continued)

The table below presents the cash flows payable by the Company for financial liabilities by remaining contractual maturities at the statement of financial position date.

As at 31 December 2019	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	-	-	19,880,572	-	-	19,880,572
Payable arising from reinsurance arrangements	-	-	11,024,009	-	-	11,024,009
Payable arising from insurance arrangements	-	81,534	-			81,534
Other payables	-	712,130	-	-	-	712,130
Lease Liabilities	134,914	7,508	161,100	433,674	-	737,195
Total financial liabilities (contractual maturity dates)	**134,914**	**801,172**	**31,065,681**	**433,674**	**0**	**32,435,440**

The table below presents the cash flows payable by the Company under financial liabilities by remaining contractual maturities at the statement of financial position date.

As at 31 December 2018	Up to 1 Month TShs'000	1-3 Months TShs'000	3-12 months TShs'000	1-5 years TShs'000	Over 5 years TShs'000	Total TShs'000
Liabilities						
Insurance contract liabilities	-	-	15,896,425	-	-	15,896,425
Payable arising from reinsurance arrangements	-	-	4,959,315	-	-	4,959,315
Payable arising from insurance arrangements	100,757	-	50,835	-	-	151,592
Other Payables	-	1,379,593	-	-	-	1,379,593
Total financial liabilities (contractual maturity dates)	100,757	1,379,593	20,906,575	-	-	22,386,925

6. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

Capital management

The Company's objectives when managing capital, which is a broader concept than the 'equity' on the statement of financial position, are:

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

The Insurance Act requires an insurance company conducting general insurance business to hold a minimum level of paid up capital of TShs 2,196 million for the year ended 31 December 2019;

As at period end, the Company had a share capital of 80,000 fully paid up shares totaling TShs 8,000 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 1,369 million or 20% of the net written premium.

During the year the Company held more than the minimum paid up capital required as well as met the required solvency margins. The following table gives a quantitative analysis of the solvency margin as at 31 December 2019:

6. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

Solvency (Continued)

Solvency margin as at 31 December 2019	TShs' 000	Short term Business TShs' 000
Total admitted assets		**39,316,744**
Total admitted liabilities		**30,707,644**
a) Net Written Premium preceding year	**12,288,570**	
b) Net Written Premium current period	**16,278,990**	
Add: the greater of Tshs 1,369 million or 20% of net written premium		**3,255,798**
Total liabilities and minimum requirement		**33,963,442**
Solvency Margin		**5,353,302**

Solvency margin as at 31 December 2018		
Total admitted assets		38,789,239
Total admitted liabilities		22,757,912
a) Net Written Premium preceding year	11,282,898	
b) Net Written Premium current period	12,288,570	
Add: the greater of TShs 1,369 million or 20% of net written premium		2,457,714
Total liabilities and minimum requirement		25,215,626
Solvency Margin		13,573,613

6. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

Accounting classification and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value of information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

2019	Fair value through profit or loss TShs '000	Amortised costs TShs '000	Other financial liabilities TShs '000	Total TShs '000	Level 1 TShs '000	Level 2 TShs '000	Level 3 TShs '000
Financial assets measured at fair value							
Equity investment at fair value through profit or loss (quoted)	-	-	-	-	-	-	-
Equity investment at fair value through profit/ loss (unquoted)	917,941	-	-	917,941	-	-	917,941
Government securities at fair value through profit or loss	3,947,893	-	-	3,947,893	-	3,947,893	-
Corporate bonds at fair value through profit or loss	148,270	-	-	148,270	-	148,270	-
	5,014,104	-	-	5,014,104		4,096,163	917,941
Financial assets not measured at fair value							
Receivables arising out of direct insurance arrangements	-	-	-	-	-	-	-
Receivables arising out of reinsurance arrangements	-	4,444,790	-	4,444,790	-	4,444,790	-
Reinsurers' share of insurance liabilities	-	26,034,505	-	26,034,505	-	26,034,505	-
Other receivables (excluding prepayment)	-	1,340,982	-	1,340,982	-	1,340,982	-
Deposits with financial institutions	-	30,051,505	-	30,051,505	-	30,051,505	-
Cash and bank balances	-	1,911,040	-	1,911,040	-	1,911,040	-
	-	63,782,822	-	63,782,822		63,782,822	-
Financial liabilities measured at fair value							
Financial liabilities not measured at fair value							
Insurance contract liabilities	-	-	19,880,572	19,880,572	-	19,880,572	-
Unearned premiums			15,439,704	15,439,704		15,439,704	
Payable arising from reinsurance arrangements	-	-	11,024,009	11,024,009	-	11,024,009	-
Payable arising from insurance arrangements	-	-	81,534	81,534	-	81,534	-
Other payables	-	-	712,130	712,130	-	712,130	-
Loans and borrowings	-	-	692,137	692,137	-	692,137	-
	-	-	47,830,086	47,830,086	-	47,830,086	-

6. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

Accounting classification and fair values (continued)

2018

	Fair value through profit or loss TShs '000	Amortised costs TShs '000	Other financial liabilities TShs '000	Total TShs '000	Level 1 TShs '000	Level 2 TShs '000	Level 3 TShs '000
Financial assets measured at fair value							
Equity investment at fair value through profit or loss (quoted)	-	-	-	-	-	-	-
Equity investment at fair value through profit/ loss (unquoted)	897,999	-	-	897,999	-	-	897,999
Government securities at fair value through profit or loss	4,099,978	-	-	4,099,978	-	4,099,978	-
Corporate bonds at fair value through profit or loss	161,013	-	-	161,013	-	161,013	-
	5,158,990	-	-	5,158,990		4,260,991	897,999
Financial assets not measured at fair value							
Receivables arising out of direct insurance arrangements	-	-	-	-	-	-	-
Receivables arising out of reinsurance arrangements	-	2,277,291	-	2,277,291	-	2,277,291	-
Reinsurers' share of insurance liabilities	-	19,793,392	-	19,793,392	-	19,793,392	-
Other receivables (excluding prepayment)	-	41,344	-	41,344	-	41,344	-
Deposits with financial institutions	-	24,478,876	-	24,478,876	-	24,478,876	-
Cash and bank balances	-	4,345,768	-	4,345,768	-	4,345,768	-
	-	50,936,671	-	50,936,671		50,936,671	-
Financial liabilities measured at fair value	-	-	-	-		-	-
Financial liabilities not measured at fair value							
Insurance contract liabilities	-	-	15,896,425	15,896,425	-	15,896,425	-
Unearned premiums			13,066,561	13,066,561		13,066,561	
Payables arising from reinsurance arrangements	-	-	4,959,315	4,959,315	-	4,959,315	-
Payables arising from insurance arrangements	-	-	151,592	151,592	-	151,592	-
Other payables	-	-	1,379,593	1,379,593	-	1,379,593	-
	-	-	35,453,486	35,453,486	-	35,453,486	-

6. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

Measurement of fair values

IFRS 13 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.

The fair value of other classes of financial assets and liabilities that are not traded in an active market (for example, unquoted equity investments and Corporate Bonds) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments
- The fair value government security is calculated as the present value of the estimated future cash flows based on observable yield curves.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Note that all the resulting fair value estimates are included in level 2 or 3. There were no transfers into or out of any levels during the year.

7. 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, net of the movement in unearned premium reserve, can be analysed between the main classes of business as shown below:

	2019 TShs'000	2018 TShs'000
Motor	**8,468,102**	6,209,772
Fire	**23,591,099**	18,546,346
Accident	**10,488,739**	9,163,938
Marine	**3,170,283**	2,049,869
Engineering	**4,501,251**	3,821,926
Medical	**1,896,654**	1,666,897
Other	**469,340**	668,316
	52,585,468	42,127,064

8. INVESTMENT INCOME

Interest from government securities	**518,800**	516,934
Interest from corporate bonds	**19,600**	19,600
Bank deposit interest	**1,894,396**	1,667,855
Dividend income	**24,771**	50,919
Loss on sale of investment	**-**	(101,814)
	2,457,567	2,153,494

9. OTHER INCOME

Profit on disposal of motor vehicles	**22,152**	35,812
Foreign exchange gain	**105,136**	538,542
Miscellaneous Income	**29,125**	4,990
	156,413	579,344

10. INSURANCE CLAIMS

Engineering	**(1,597,914)**	3,757,092
Fire commercial	**14,748,345**	3,707,970
Liability	**278,298**	153,120
Marine	**140,484**	776,030
Motor	**2,275,192**	2,151,463
Personal accident	**425,251**	386,111
Theft	**(38,124)**	45,123
Workman compensation	**(6,384)**	46,366
Miscellaneous	**2,536,000**	1,739,768
	18,761,148	12,763,043

10. INSURANCE CLAIMS (CONTINUED)

Claims and Loss Adjustment expenses 31 December 2019

	Gross Tshs'000	**Reinsurance Tshs'000**	**Net Tshs'000**
Current year Claims and Loss adjustment expenses	**22,292,186**	**(16,886,471)**	**5,405,715**
Additional (Adjustments) costs for prior year Claim & Loss expenses	**(25,213,431)**	**18,689,010**	**(6,524,422)**
Increase in the expect cost of Claims for unexpired risk	**21,682,393**	**(14,808,684)**	**6,873,710**
Total claims and loss adjustment expenses	**18,761,148**	**(13,006,145)**	**5,755,003**

Claims and Loss Adjustment expenses 31 December 2018

	Gross Tshs'000	Reinsurance Tshs'000	Net Tshs'000
Current year Claims and loss adjustment expenses	14,543,520	(8,845,670)	5,697,850
Additional (Adjustments) costs for prior year Claim & Loss expenses	(17,676,902)	11,036,323	(6,640,579)
Increase in the expect cost of claims for unexpired risk	15,896,425	(10,112,817)	5,783,608
Total claims and loss adjustment expenses	12,763,043	(7,922,164)	4,840,879

11. OPERATING EXPENSES

	2019 TShs'000	2018 TShs'000
Staff costs	**4,342,064**	3,716,555
Auditors' remuneration	**81,211**	88,564
Depreciation and amortization	**536,739**	189,600
Service Charges	**37,374**	343,708
Repairs and maintenance expenses	**41,904**	29,799
Directors' fees	**149,250**	170,125
Marketing	**193,507**	130,584
Bad debts recoveries	**(87,943)**	(255,113)
Revenue taxes	**351,312**	229,144
Services fees	**1,678,480**	1,012,328
Other operating expenses	**599,746**	532,635
	7,923,644	**6,187,929**
Staff costs include the following:		
- Salaries and wages	**3,969,288**	3,432,238
- Social security benefit costs	**372,776**	284,317
	4,342,064	**3,716,555**

12. INCOME TAX EXPENSES

	2019 TShs'000	2018 TShs'000
Current income tax – current year	**837,808**	1,086,848
Current income tax – prior year	**273,054**	-
Deferred income tax – current year (Note 20)	**118,099**	315,792
	1,228,961	1,402,640
Profit before income tax	**3,414,790**	4,504,540
Tax calculated at the tax rate of 30%	**1,024,437**	1,351,362
Tax effect of:		
Expenditures permanently disallowed	**110,837**	66,968
Prior Year Deferred Tax Adjustment	**(59,442)**	(414)
Prior Year Tax Adjustment	**273,054**	-
Income not deductible for tax purposes	**(119,925)**	(15,276)
	1,228,961	1,402,640

13. DIVIDEND

Proposed dividends are accounted for as a separate component of equity until they have been ratified at an Annual General Meeting. An interim dividend of TShs 3 billion was approved by the Board of Directors and has been paid for the year ended 31 December 2019 (2018: TShs 3.1 billion). Payment of dividends is subject to withholding tax at a rate of either 5% or 10% depending on the residence and shareholding of the respective shareholders.

14. EQUITY

(a) Capital Structure

The total authorised number of ordinary shares is 100,000 with a par value of TShs 100,000 of which 80,000 shares have been issued and fully paid (2018: 80,000 shares of TShs 100,000 each).

	2019 TShs'000	2018 TShs'000
Share capital (14(b))	**8,000,000**	8,000,000
Contingency reserve	**7,228,498**	6,791,332
Retained earnings	**(297,074)**	954,263
	14,931,424	15,745,595

(b) Movement of share capital

	2019	2018
At 1 January	**8,000,000**	8,000,000
At 31 December	**8,000,000**	8,000,000

15. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

(a) PROPERTY AND EQUIPMENT	Motor vehicles	Furniture and equipment	Right-of-use-Assets	Total
Year ended 31 December 2019	**TShs'000**	**TShs'000**	**TShs'000**	**TShs'000**
Cost				
At start of year	**231,361**	**999,007**	**895,776**	**2,126,144**
Additions	**-**	**85,630**	**55,157**	**140,787**
Disposals	**(92,336)**	**-**	**-**	**(92,336)**
At end of year	**139,025**	**1,084,637**	**950,933**	**2,174,595**
Accumulated depreciation				
At start of year	**230,117**	**549,484**	**263,804**	**1,043,405**
Charge for the year	**498**	**149,549**	**11,491**	**161,538**
Disposals	**(92,336)**	**-**	**-**	**(92,336)**
At end of year	**138,279**	**699,033**	**275,295**	**1,112,607**
Net book value at 31 December 2019	**746**	**385,604**	**675,638**	**1,061,988**
Year ended 31 December 2018				
Cost				
At start of year	366,481	950,257	-	1,316,738
Additions	-	98,086	-	98,086
Disposals	(135,120)	(3,653)	-	(138,773)
Write off/adjustment	-	(45,683)	-	(45,683)
At end of year	231,361	999,007	-	1,230,368
Accumulated depreciation				
At start of year	343,140	443,344	-	786,484
Charge for the year	22,097	129,780	-	151,877
Disposals	(135,120)	(1,036)	-	(136,156)
Write off/adjustment		(22,604)	-	(22,604)
At end of year	230,117	549,484	-	779,601
Net book value at 31 December 2018	**1,244**	**449,523**	**-**	**450,767**

15. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS (CONTINUED)

(b) INTANGIBLE ASSETS

			2019	2018
	Software TShs'000	Software in development TShs'000	Total TShs'000	Total TShs'000
Cost				
At start of year	1,297,768	-	1,297,768	841,937
Additions	167,482	54,936	222,418	455,831
Disposals	(64,348)	-	(64,348)	-
At end of year	1,400,902	54,936	1,455,838	1,297,768
Accumulated depreciation				
At start of year	856,753	-	856,753	819,030
Charge for the year	111,398	-	111,398	37,723
Disposals	(10,010)	-	(10,010)	-
At end of year	958,141	-	958,141	856,753
Net book value at 31 December	442,761	54,936	497,697	441,015

16. LEASE LIABILITES

LEASES

The Company has lease contracts for various buildings used for office operations. Leases of buildings generally have lease terms between 2 and 5 years. There are several lease contracts that include extension and termination options. The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term. Below are the low value assets;

	2019 TShs'000	2018 TShs'000
Equipment rental	2,225,389	2,225,389
Zanzibar office	10,181,472	-
Total	12,406,861	2,225,389

The carrying amount of right-of-use asset recognised and the movement during the period has been disclosed in the note 15 of this financial statement.
Set out below are the carrying amounts of lease liabilities and the movements during the period:

16. LEASE LIABILITES (CONTINUED)

	2019 TShs'000	2018 TShs'000
1st January	**895,776**	-
Additions	**55,157**	-
Payments	**(303,521)**	-
Finance cost	**44,725**	-
At end of year	**692,137**	-
Current	**303,521**	-
Non-current	**388,616**	-
	692,137	-

17. EQUITY INVESTMENTS AT FAIR VALUE THROUGHT PROFIT OR LOSS (UNQUOTED)

	2019 TShs'000	2018 TShs'000
At start of year	**897,999**	598,805
Fair value change on equity investment	**19,942**	299,194
At end of year	**917,941**	897,999

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

18. REINSURERS' SHARE OF INSURANCE LIABILITIES

	2019 TShs'000	2018 TShs'000
Reinsurers' share of:		
Unearned premium	**11,225,821**	9,680,574
Notified claims outstanding	**12,340,570**	8,427,348
Claims incurred but not reported	**2,468,114**	1,685,470
	26,034,505	19,793,392

19. DEFERRED ACQUISITION COST AND INCOME

(a) DEFERRED ACQUISITION COST

Cost		
At start of year	**2,024,321**	1,206,301
Addition	**5,531,244**	5,219,846
Amortisation charge	**(5,617,823)**	(4,401,826)
At end of year	**1,937,742**	2,024,321

19. DEFERRED ACQUISITION COST AND INCOME (CONTINUED)

(b) DEFERRED ACQUISITION INCOME

	2019 Shs'000	2018 Shs'000
Income		
At start of year	**1,948,359**	1,287,236
Addition	**4,631,366**	5,036,012
Amortisation charge	**(5,000,938)**	(4,374,889)
At end of year	**1,578,787**	1,948,359

20. DEFERRED TAX AND TAX RECOVERABLE

(a) DEFERRED TAX ASSET

Deferred tax is calculated on all temporary differences under the liability method, using a principal tax rate of 30% (2018: 30%). The movement on the deferred income tax account is as follows:

	2019 TShs'000	2018 TShs'000
At start of the year	**1,042,698**	1,358,490
Charge to profit or loss (Note 12)	**(118,099)**	(315,792)
At end of the year	**924,599**	1,042,698

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

Year ended 31 December 2019	1 January	Prior Year Over/Under	Deferred tax movement for the year	Charge to profit or loss	31 December
	TShs'000	TShs'000		TShs'000	TShs'000
Property and equipment	(7,518)	-	(5,954)	(5,954)	(13,472)
Revaluation on investments	(271,609)	-	(9,728)	(9,728)	(281,337)
Provisions	1,381,249	-	(160,118)	(160,118)	1,221,131
Foreign exchange	(59,423)	59,442	(1,741)	57,701	(1,722)
Deferred income tax asset	1,042,698	59,442	(177,541)	(118,099)	924,599

20. DEFERRED TAX AND TAX RECOVERABLE (CONTINUED)

(a) DEFERRED TAX ASSET (CONTINUED)

Year ended 31 December 2018	1 January	Prior Year Over/Under	Deferred tax movement for the year	Charge to profit or loss	31 December
	TShs'000	TShs'000		TShs'000	TShs'000
Property and equipment	30,461	-	(37,980)	(37,980)	(7,519)
Revaluation on investments	(171,185)	-	(100,424)	(100,424)	(271,609)
Provisions	1,492,621	-	(111,372)	(111,372)	1,381,249
Foreign exchange	6,593	414	(66,430)	(66,016)	(59,423)
Deferred income tax asset	1,358,490	414	(316,206)	(315,792)	1,042,698

(b) INCOME TAX RECOVERABLE/PAYABLE

	2019	2018
	TShs'000	TShs'000
Opening balance	**(60,373)**	225,234
Tax charge for the year	**(1,110,862)**	(1,086,849)
Tax paid during the year	**1,524,089**	641,823
Tax withheld during the year	**176,207**	159,419
Total tax receivable/(payable) at year end	**529,061**	(60,373)

21. OTHER RECEIVABLES

	2019	2018
	TShs'000	TShs'000
Sundry debtors	**1,284,841**	124,196
Prepaid expenses	**179,938**	107,234
Staff receivable	**56,141**	46,612
	1,520,920	278,042

22. GOVERNMENT SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 TShs'000	2018 TShs'000
At start of year	**4,099,978**	4,016,447
Purchased bond	**-**	481,302
Interest	**518,800**	516,934
Receipt of coupon	**(511,247)**	(518,481)
Matured bond	**(175,146)**	(426,600)
Fair value gain	**15,508**	30,376
	3,947,893	4,099,978

23. CORPORATE BONDS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 TShs'000	2018 TShs'000
At start of year	**161,013**	145,956
Interest	**19,600**	10,579
Receipt of principal amount	**(29,319)**	(698)
Fair value (loss)/gain	**(3,024)**	5,176
At end of year	**148,270**	161,013

24. DEPOSITS WITH FINANCIAL INSTITUTIONS

Deposits with maturity of 90 days or less	**18,670,102**	9,298,720
Deposits with maturity of more than 90 days and less than 1 year	**11,381,403**	15,180,156
	30,051,505	24,478,876

Effective interest rates

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

	2019 %	2018 %
Government securities	**11**	**11**
Deposits with financial institutions	**9**	**8**
Corporate bonds	**14**	**14**

25. CASH AND CASH EQUIVALENTS

	2019 TShs'000	2018 TShs'000
Cash and bank balances		
Cash at bank	**1,903,914**	4,343,974
Cash in hand	**7,126**	1,795
	1,911,040	4,345,769

25. CASH AND CASH EQUIVALENTS (CONTINUED)

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

	2019 TShs'000	2018 TShs'000
Cash and bank balances	**1,911,040**	4,345,769
Deposits with financial institutions maturing within 90 days (Note 24)	**18,670,102**	9,298,720
	20,581,142	13,644,489

26. INSURANCE CONTRACT LIABILITIES

	2019 TShs'000	2018 TShs'000
Short term non-life insurance contracts:		
Claims reported and claims handling expenses	**16,567,143**	13,247,021
Claims incurred but not reported	**3,313,429**	2,649,404
Total - short term	**19,880,572**	15,896,425

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 2019 and 2018 are not material.

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.

26. INSURANCE CONTRACT LIABILITIES (CONTINUED)

Accident Year	2013 Tshs '000'	2014 Tshs '000'	2015 Tshs '000'	2016 Tshs '000'	2017 Tshs '000'	2018 Tshs '000'	2019 Tshs '000'	Total Tshs '000'
Estimate of ultimate claims costs								
At the End of Accident Year	105,025,599	15,781,219	22,938,480	16,298,835	16,394,048	14,543,520	22,523,946	213,505,647
One Year Later	81,116,803	12,020,697	7,704,048	15,188,151	4,888,212	9,170,079	-	130,087,990
Two Year Later	81,585,761	1,766,776	7,998,442	1,773,485	1,124,203	-	-	94,248,667
Three Year Later	974,375	1,974,767	1,191,426	809,270	-	-	-	4,949,838
Four Year Later	1,114,412	879,279	429,660	-	-	-	-	2,423,351
Five Year Later	144,138	242,366	-	-	-	-	-	386,504
Six Year Later	31,502	-	-	-	-	-	-	31,502
Current Estimate of Cumulative claims	31,502	242,366	429,660	809,270	1,124,203	9,170,079	22,523,946	34,331,026
Less: Cumulative payments to date	(8,152)	(319,344)	(667,196)	(304,202)	(2,471,901)	(4,265,814)	(6,740,392)	(14,777,001)
Liability in the statement of financial Position	23,350	(76,978)	(237,536)	505,068	(1,347,698)	4,904,265	15,783,554	19,554,025
Liability in respect of prior years								326,547
Total gross claims liability included in the statement of financial position at 31 December 2019								**19,880,572**
Total gross claims liability included in the statement of financial position at 31 December 2018								**15,896,425**

Movement in insurance liabilities and reinsurance assets are shown in note 30.

27. 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			**2019**			2018
	Gross	**Re-insurance**	**Net**	Gross	Re-insurance	Net
	TShs'000	**TShs'000**	**TShs'000**	TShs'000	TShs'000	TShs'000
At beginning of year	**13,066,560**	**(9,680,575)**	**3,385,985**	12,152,613	(8,569,015)	3,583,598
Movement during the year	**2,373,144**	**(1,545,246)**	**827,898**	913,948	(1,111,560)	(197,612)
At end of year	**15,439,704**	**(11,225,821)**	**4,213,883**	13,066,561	(9,680,575)	3,385,986
Unexpired risk provision						
At beginning of year	-	-	-	-	-	-
Movement during the year (net)	-	-	-	-	-	-
At end of year	-	-	-	-	-	-
Total as per statement of financial position	**15,439,704**	**(11,225,821)**	**4,213,883**	13,066,561	(9,680,575)	3,385,986

28. PAYABLES ARISING FROM REINSURANCE ARRANGEMENTS

	2019 TShs'000	2018 TShs'000
International facultative	**5,804,251**	2,771,461
Local facultative	**5,219,758**	2,187,854
	11,024,009	4,959,315

29. OTHER PAYABLES

	2019 TShs'000	2018 TShs'000
Due to related companies	**119,723**	525,172
Advance premium received	**9,813,567**	6,504,086
Claims payable	**120,157**	78,332
Levies payable	**54,476**	242,577
Accrued expenses	**191,861**	1,112,774
	10,299,784	8,462,941

30. MOVEMENTS IN INSURANCE LIABILITIES AND REINSURANCE ASSETS

Short term insurance business

	2019			2018		
	Gross	Re-insurance	Net	Gross	Re-insurance	Net
	TShs'000	TShs'000	TShs'000	TShs'000	TShs'000	TShs'000
Notified claims	**13,247,021**	**(8,427,348)**	**4,819,673**	11,744,154	(5,240,554)	6,503,600
Incurred but not reported	**2,649,404**	**(1,685,469)**	**963,935**	2,098,505	(1,048,111)	1,050,394
Total at beginning of year	**15,896,425**	**(10,112,817)**	**5,783,608**	13,842,659	(6,288,665)	7,553,994
Cash paid for claims settled in year	**(12,975,180)**	**8,310,278**	**(4,664,901)**	(10,709,277)	4,098,011	(6,611,266)
Increase in liabilities:						
- arising from current year claims	**12,119,718**	**(11,006,287)**	**1,113,430**	11,773,202	(7,406,677)	4,366,525
- arising from prior year claims	**4,839,609**	**(1,999,858)**	**2,839,751**	989,841	(515,486)	474,355
Total at end of year	**19,880,572**	**(14,808,684)**	**5,071,888**	15,896,425	(10,112,817)	5,783,608
Notified claims	**16,567,143**	**(12,340,570)**	**4,226,573**	13,247,021	(8,427,348)	4,819,673
Incurred but not reported	**3,313,429**	**(2,468,114)**	**845,315**	2,649,404	(1,685,469)	963,935
	19,880,572	**(14,808,684)**	**5,071,888**	15,896,425	(10,112,817)	5,783,608

31. CASH GENERATED FROM OPERATIONS

	2019 TShs'000	2018 TShs'000
Reconciliation of the Company's profit before income tax to cash generated from operations:		
Profit before income tax	**3,414,790**	4,504,540
Adjustments for:		
Dividend income	**(24,771)**	(50,919)
Interest income	**(2,432,796)**	(2,204,389)
Loss on sale of investments	**-**	101,814
Fair value loss on investments	**(32,427)**	(334,746)
Depreciation expense and amortization (Note 15)	**536,740**	189,600
Profit on sale of motor vehicle and equipment	**(22,097)**	(35,734)
Insurance and reinsurance receivables recoveries	**-**	(255,113)
Finance cost	**44,725**	-
Changes in:		
- Insurance contract liabilities, unearned premiums and reinsurers share of insurance liabilities	**116,177**	(1,967,999)
- Payables arising from reinsurance arrangements, deferred acquisition income and other payables	**7,461,907**	660,224
- Receivables from direct and reinsurance arrangements and other receivables	**(3,323,798)**	3,056,413
Cash generated from operations	**5,738,450**	3,663,691

32. FINANCIAL INSTRUMENTS BY CATEGORY

31 December 2019	**Fair value through profit or loss TShs '000**	**Amortised cost TShs '000**	**Total TShs '000**
Financial assets			
Cash and balances with banks	-	1,911,040	1,911,040
Government securities held-to-maturity	3,947,893	-	3,947,893
Deposits with financial institutions	-	30,051,505	30,051,505
Equity investment at fair value through profit or loss (unquoted)	917,941	-	917,941
Corporate bonds at fair value through profit or loss	148,270	-	148,270
Receivables arising out of reinsurance arrangements	-	4,444,790	4,444,790
Reinsurers' share of insurance liabilities	-	26,034,505	26,034,505
Other receivables (Excluding prepayments)	-	1,340,982	1,340,982
	5,014,104	**63,782,822**	**68,796,926**

32. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

31 December 2019 Financial liabilities	Other liabilities at amortised cost TShs '000
Insurance contract liabilities	19,880,572
Payables arising from reinsurance arrangements	11,024,009
Payables arising from insurance arrangements	81,534
Other payables	712,130
Loans and borrowings	692,137
	32,390,382

31 December 2018	Fair value through profit or loss TShs '00	Amortised cost TShs '000	Total TShs '000
Financial assets			
Cash and balances with banks	-	4,345,768	4,345,768
Government securities held-to-maturity	4,099,978	-	4,099,978
Deposits with financial institutions	-	24,478,876	24,478,876
Equity investment at fair value through profit or loss (unquoted)	897,999	-	897,999
Corporate bonds at fair value through profit or loss	161,013	-	161,013
Receivables arising out of reinsurance arrangements	-	2,277,291	2,277,291
Reinsurers' share of insurance liabilities	-	19,793,392	19,793,392
Other receivables (Excluding prepayments)	-	41,344	41,344
	5,158,990	**50,936,67**	**56,095,661**

31 December 2018 Financial liabilities	Other liabilities at amortised cost TShs '000
Insurance contract liabilities	15,896,425
Payables arising from reinsurance arrangements	4,959,315
Payables arising from insurance arrangements	151,592
Other payables	1,379,593
	22,386,925

33. CONTINGENT LIABILITIES

(i) *Legal claims*

In common 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 totaling 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.)

34. SUBSEQUENT EVENTS

On 11 March 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak to be a pandemic due to its rapid spread across the globe. Many governments including the Tanzanian government, are taking stringent measures to help contain the virus, including: requiring self-isolation/ quarantine by those potentially affected, implementing social distancing measures, and controlling or closing borders. This has resulted to a weaker economic outlook and uncertainties across the globe. As a result the Company may likely experience a decrease in profitability especially during the second quarter of the year as insured businesses continue to be affected by the pandemic.

As at the date of this report, there is no sufficient data to quantify the effects of the pandemic. However, as the pandemic continue to evolve, directors and management will still assess its impact to the Company in the next twelve month from the date of approval of the financial statements.

35. RELATED PARTY TRANSACTIONS

The Company is controlled by Heritage Insurance Company Kenya Limited, incorporated in Kenya, which owns 60% of the Company's shares. The ultimate parent of the company is the Standard Bank of South Africa Limited. These are other companies which are related to the Heritage Insurance Company Tanzania Limited through common shareholding or common directorship.

The following transactions were carried out with related parties:

35. RELATED PARTY TRANSACTIONS (CONTINUED)

	2019 TShs '000	2018 TShs '000
Gross Premium Written		
Stanbic Bank Limited	198,269	361,433
Strategis Insurance Company Tanzania Limited	13,436	1,482,824
	211,705	1,844,257
Claims Incurred		
Mac Group Limited	-	-
Stanbic Bank Tanzania Limited	7,758	16,133
Strategis Insurance Company Tanzania Limited	1,801,821	1,505,711
	1,809,579	1,521,844
Rental Expense		
CAM Logistics Limited	-	295,910
Interest income from Related Parties		
Exim Bank Tanzania Limited (Deposit and Bond)	122,254	306,547
Outstanding Balance with Related Parties		
Due from Strategis Insurance Company Tanzania Limited	246,451	151,618
	246,451	151,618
Due to The Heritage Insurance Company Kenya Limited	111,708	517,157
Due to Liberty Holdings (South Africa) Limited	8,015	8,015
	119,723	525,172
Investment In Related Parties		
Exim Bank Tanzania Limited -Deposit and Bank Balances	5,962,900	4,518,664
Stanbic Bank Tanzania Limited -Bank Balances	378,217	884,173
	6,341,117	5,402,837
Directors Remuneration		
Directors Fees	72,500	72,500
Other remuneration	76,750	97,625
	149,250	170,125
Key Management personnel remuneration (excluding directors)	1,159,170	1,115,302
Post -employment and other short term benefits	145,204	105,330
	1,304,374	1,220,632

THE HERITAGE INSURANCE COMPANY TANZANIA LIMITED
SUPPLEMENTARY INFORMATION

GENERAL INSURANCE BUSINESS REVENUE ACCOUNT 2019

Class of insurance Business	Engineering	Fire Industrial	Liability	Marine	Motor Commercial	Motor Private	Personal Accident	Theft	Workmen's Compensation	Miscellaneous	2019 Total	2018 Total
Class code	2	4	5	6	7	8	9	10	11	12		
	Tshs' 000	Tshs' 000	Tshs' 000	Tshs' 000	Tshs' 000	Tshs' 000	Tshs' 000	Tshs' 000	Tshs' 000	Tshs' 000	Tshs' 000	Tshs' 000
Gross premium written	4,735,277	25,256,488	5,039,533	3,310,001	3,978,101	5,029,784	1,951,497	340,911	30,874	5,286,520	54,958,985	43,041,012
Change in gross UPR	(234)	(1,665)	231	(140)	(431)	(109)	(104)	(0)	11	68	(2,374)	(913,947)
Gross earned premiums	4,501,251	23,591,099	5,270,176	3,170,283	3,546,899	4,921,203	1,847,473	340,531	42,218	5,354,335	52,585,468	42,127,065
Less: reinsurance payable	4,041	22,052	4,429	2,628	574	707	412	64	10	2,196	37,113	29,640,882
Net earned premiums	460,114	1,538,795	841,205	542,373	2,973,270	4,214,017	1,435,129	276,033	32,564	3,158,517	15,472,019	12,486,182
Net written premiums	*429,906*	*1,723,097*	*826,964*	*584,491*	*3,316,865*	*4,340,567*	*1,548,029*	*275,563*	*23,745*	*3,209,762*	*16,278,990*	*12,288,570*
Gross claims paid	618,739	7,497,097	175,322	530,508	833,641	2,165,251	506,353	67,142	72,682	2,310,265	14,777,001	10,709,277
Change in gross o/s claims	(2,903,353)	7,937,947	102,976	(56,510)	(299,660)	(424,040)	(81,102)	685,338	(79,066)	(898,383)	3,984,147	2,053,766
Less: Reinsurance recoverable	343,636	7,049,860	130,640	152,889	79,320	222,224	143,240	30,039	7,768	150,664	8,310,278	7,922,164
Net claims incurred	436,720	738,869	132,675	350,408	469,720	1,565,414	121,326	133,562	(6,045)	1,812,354	5,755,003	4,840,879
Commission receivable	(762,531)	(4,181,485)	(415,888)	(643,475)	(76,780)	(89,050)	(103,684)	(12,970)	(2,090)	(291,773)	(6,579,726)	(4,381,406)
Commission payable	718,916	4,081,811	425,578	460,281	454,714	575,554	328,731	69,849	8,490	436,066	7,559,991	4,401,825
Expenses of management	198,458	795,435	381,752	269,819	1,531,168	2,003,740	714,618	127,209	10,961	644,104	6,677,266	5,776,337
Total expenses and commissions	154,844	695,761	391,442	86,625	1,909,102	2,490,244	939,666	184,088	17,360	788,398	7,657,531	5,796,756
Underwriting profit/(loss)	(131,449)	104,165	317,088	105,340	594,449	158,359	374,137	(41,617)	21,248	557,765	2,059,485	1,848,547
Key ratios:												
Loss ratio	95%	48%	16%	65%	16%	37%	8%	48%	-19%	57%	37%	39%
Commission ratio	15%	16%	8%	14%	11%	11%	17%	20%	27%	8%	14%	10%
Expense ratio	4%	3%	8%	8%	38%	40%	37%	37%	36%	12%	12%	13%

GENERAL INSURANCE BUSINESS REVENUE ACCOUNT 2018

Class of insurance Business	Engineering	Fire Industrial	Liability	Marine	Motor Commercial	Motor Private	Personal Accident	Theft	Workmen's Compensation	Miscellaneous	2018 Total	2017 Total
Class code	2	4	5	6	7	8	9	10	11	12		
	Tshs' 000	Tshs' 000	Tshs' 000	Tshs' 000	Tshs' 000	Tshs' 000	Tshs' 000	Tshs' 000	Tshs' 000	Tshs' 000	Tshs' 000	Tshs' 00
Gross premium written	3,901,995	19,977,885	4,772,072	1,938,075	2,299,285	3,987,912	1,227,134	264,116	78,475	4,594,063	43,041,012	35,780,49
Change in gross UPR	(80,069)	(1,375,496)	186,951	111,793	(135,765)	58,340	581,106	49,703	3,410	(313,920)	(913,947)	7,077,74
Gross earned premiums	3,821,926	18,602,388	4,959,023	2,049,869	2,163,520	4,046,252	1,808,240	313,819	81,885	4,280,143	42,127,065	42,858,24
Less: reinsurance payable	3,487,285	17,287,897	3,904,186	1,836,579	297,706	641,703	515,764	121,350	14,936	1,533,477	29,640,882	30,878,75
Net earned premiums	334,640	1,314,491	1,054,837	213,290	1,865,814	3,404,549	1,292,476	192,469	66,950	2,746,666	12,486,182	11,979,48
Net written premiums	*399,270*	*1,388,107*	*1,062,738*	*231,110*	*1,973,012*	*3,370,650*	*730,999*	*219,469*	*61,479*	*2,851,735*	*12,288,570*	*11,282,89*
Gross claims paid	633,011	2,062,301	150,077	256,652	554,731	1,988,516	317,965	84,235	79	4,661,709	10,709,277	15,310,52
Change in gross o/s claims	3,124,080	1,645,669	3,042	519,378	(230,300)	(161,485)	68,146	(39,112)	46,287	(2,921,940)	2,053,766	1,047,92
Less: Reinsurance recoverable	3,559,063	3,538,956	198,922	524,195	181,137	180,420	12,237	443	5,748	(278,957)	7,922,164	10,737,19
Net claims incurred	198,029	169,014	(45,802)	251,835	143,294	1,646,612	373,874	44,680	40,617	2,018,725	4,840,879	5,621,25
Commission receivable	(676,793)	(2,622,746)	(419,823)	(280,624)	(27,484)	(64,693)	(88,579)	(12,880)	(2,649)	(185,134)	(4,381,406)	(4,403,621)
Commission payable	457,427	2,203,102	325,483	195,994	210,665	372,457	215,529	49,876	13,121	358,169	4,401,825	4,066,13
Expenses of management	217,125	749,227	573,969	124,958	1,065,753	1,821,730	398,320	118,647	33,228	673,380	5,776,337	5,998,95
Total expenses and commissions	(2,241)	329,583	479,629	40,328	1,248,934	2,129,494	525,270	155,643	43,700	846,415	5,796,756	5,661,46
Underwriting profit/(loss)	138,852	815,894	621,010	(78,873)	473,586	(371,557)	393,332	(7,854)	(17,367)	(118,474)	1,848,547	696,77
Key ratios:												
Loss ratio	59%	13%	-4%	118%	8%	48%	29%	23%	61%	73%	39%	47%
Commission ratio	12%	11%	7%	10%	9%	9%	18%	19%	17%	8%	10%	11%
Expense ratio	6%	4%	12%	6%	46%	46%	32%	45%	42%	15%	13%	17%