MAYFAIR INSURANCE TANZANIA LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE 18-MONTH PERIOD ENDED 31 DECEMBER 2016

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MAYFAIR INSURANCE TANZANIA LIMITED

CORPORATE INFORMATION
FOR THE 18-MONTH PERIOD ENDED 31 DECEMBER 2016

DIRECTORS	Mr. Jayesh G. Shah	British	- Chairman
	Mr. Anjay V. Patel	British	Appointed on 29 May 2015
	Mr. Vishal R. Patel	Kenyan	Appointed on 29 May 2015
	Mr. Abbas M. Jessa	Tanzanian	Appointed on 11 June 2015
	Mr. David A. Sawe	Tanzanian	Appointed on 17 June 2015
	Mr. William E. Erio	Tanzanian	Appointed on 17 June 2015
	Mr. Pavan Subhash Patel	Tanzanian	Appointed on 22 June 2015
	Mr. Humphrey Kabwe	Zambia	Resigned September 2016

MANAGEMENT	Sanjay K. Singh	Chief Executive Officer
	Charles M. Sebastian	Chief Finance Officer
	Chrisbeth Thomas	Deputy Manager Operations

REGISTERED OFFICE
2nd Floor, TAN Re House,
Plot No. 406, Longido Street
Upanga, Dar es Salaam, Tanzania
Tel + 255 2922337/338
Fax +255 2922339
E mail info@mayfair.co.tz

COMPANY SECRETARY
ATZ Law Chambers
1st Floor, Opal Place,
No.77 Haile Selassie Rd, Plot No. 1040
P. O. Box 79651
Dar es Salaam

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

LAWYERS
East African Law Chambers
Plot No. 18, Rukwa Street, Masaki
P.O. Box 38192, Dar es Salaam
Tanzania

MAIN BANKERS

Bank M. Tanzania plc	I & M Bank (Tanzania) Limited
Money Center,	Main Branch – Maktaba Square Bldg
8, Obama Drive	P. O. Box 1509
P. O. Box 96	Dar es Salaam
Dar es Salaam	

DIRECTORS' REPORT
FOR THE 18 MONTHS PERIOD ENDED 31 DECEMBER 2016 (CONTINUED)

The Directors have pleasure to present their report together with the audited financial statements for the 18-month period ended 31 December 2016, which disclose the state of affairs of the Company as at that date.

1. INCORPORATION

The Company is incorporated in Tanzania under the Companies Act, 2002. Its registered office is situated at TANRE House, 2nd Floor. P. O. Box 38353 Dar es Salaam.

2. PRINCIPAL ACTIVITIES

The company is a licenced insurer and underwrites general insurance business.

3. COMPANY'S VISION

To be distinguished as a reliable and innovative Pan-African financial services leader.

4. COMPANY'S MISSION

To provide financial security through reliable and innovative insurance solutions.

5. CORPORATE GOVERNANCE

The Board of Mayfair Insurance Tanzania Limited consists of eight (8) non-executive directors. The Board takes overall responsibility for the Company, including responsibility for identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters, and reviewing the performance of management business plans and budgets. The Board is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operative, and for compliance with sound corporate governance principles.

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

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 of Mayfair Insurance Tanzania Limited had the following board sub-committees to ensure a high standard of corporate governance throughout the Company. These are;

- Board Audit Risk & Compliance Committee;
- Strategy and Investment Board Committee; and
- Executive Committee (Ex-com)

6. SHAREHOLDERS OF THE COMPANY

The shares of the Company are held as follows:

Name of Shareholder	No. of shares	%
Mayfair Insurance Company Ltd – Kenya	1,600,000	40.00
Abbas Mohamed Jessa	400,000	10.00
Andrea Ltd	300,000	7.50
Subhash Motibhai Patel	300,000	7.50
Lakdawalla Investments Ltd	200,000	5.00
Anjay Vithlbhai Patel	200,000	5.00
Harbinder S. Jandu & Kamalpal S. Jandu	200,000	5.00
Gigvir Investments Ltd	200,000	5.00
Girdhar Pindoria	200,000	5.00
Gaurav Pravin Shah	100,000	2.50
Sujay Limited	100,000	2.50
Jamdaba Limited	100,000	2.50
Kasbo Holdings Limited	100,000	2.50

7. MANAGEMENT STRUCTURE

The Management of the Company is under the Chief Executive Officer (CEO) and is organised in the following departments.

- Finance and Administration department;
- Operations department;
- Information communications and technology department.

8. FUTURE DEVELOPMENT PLANS

The Company intends to position itself as a serious, long term and reliable insurance solutions provider in Tanzania. It aims to provide improved financial security to masses through reliable and innovative insurance solutions at optimum pricing backed by strong customer centric approach and attitude through high level of honesty, integrity and transparency. Increasing insurance penetration for greater financial inclusion in Tanzania remains one of the key guiding factors for all endeavours of the company.

9. PERFORMANCE OF THE YEAR

The result of the company for the first year of operations are set out on page 14 of these financial statements. The director do not recommend the payment of a dividend for the year.

The highlights of the Company's performance for the year are as follows:

- Gross written premium was TZS 8.7 billion.
- The net unearned premium was TZS 2.61 billion
- The net claims incurred for the year ended 31 December 2016 was TZS 675 million.
- The administration expenses for the year were TZS 1.75 billion.
- The company incurred a net loss before tax of TZS 1.06 billion.

10. RISK MANAGEMENT AND INTERNAL CONTROL

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

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

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance of such measures by staff. Whilst no system of internal control can provide absolute assurance against misstatement or losses, the Company 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 period ended 31 December 2016 and is of the opinion that they met accepted criteria.

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

11. RESULTS AND APPROPRIATION

The operating results for the period are set out on page 14 of these financial statements. The directors did not recommend the payment of dividend for the year ended 31 December 2016.

12. EMPLOYEES WELFARE

Management and employees relationship

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

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 and without regard to factors like gender, marital status, tribe, religion and disability which does not impair ability to discharge duties.

Training facilities

During the year the Company spent TZS 590,000 for staff training in order to improve employee's technical skills and hence effectiveness.

Training programs 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.

12 EMPLOYEES WELFARE (Continued)

Medical assistance

All members of staff and their spouse with a maximum number of four beneficiaries (dependants) each were availed medical insurance cover.

Employees benefit plan

The Company pays contributions to NSSF and PPF on mandatory basis which qualifies to be a defined contribution plan.

The average number of employees during the year was 10.

13. CORPORATE SOCIAL RESPONSIBILITY

The Company encourages its employees' initiatives on participation in CSR activities. During the year, the Company took the initiative of sponsoring awareness walk for Autism.

14. 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 Mayfair Insurance Tanzania Limited has adequate resources to continue in operational existence for the foreseeable future.

The Company's state of affairs as at 31 December 2016 is set out on page 13 of these financial statements.

15. ADMINISTRATIVE MATTERS

The Company is capable of handling all administrative matters.

16. DIRECTORS

The directors of the Company during the period and up to the date of this report are:

Name	Nationality	
Mr. Jayesh G. Shah	British	
Mr. Anjay V. Patel	Kenyan	
Mr. Vishal Patel	Kenyan	
Mr. Abbas M. Jessa	Tanzanian	
Mr. David Sawe	Tanzanian	
Mr. William Erio	Tanzanian	
Mr. Pawan Subhash Patel	Tanzanian	
Mr. Humphrey Kabwe	Zambian	- Resigned on September 2016

MAYFAIR INSURANCE TANZANIA LIMITED

DIRECTORS' REPORT
FOR THE 18 MONTHS PERIOD ENDED 31 DECEMBER 2016 (CONTINUED)

17. RELATED PARTY TRANSACTIONS

The details of related party balances and transactions are provided in Note 20 to the financial statements.

18. AUDITORS

The company's auditors, KPMG have expressed their willingness to continue in office and are eligible for re-appointment. A resolution to reappoint KPMG as auditors will be put to the Annual General Meeting.

BY ORDER OF THE BOARD

....
Director

....
Director

Date: 30 March 2017

MAYFAIR INSURANCE TANZANIA LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE 18-MONTH PERIOD ENDED 31 DECEMBER 2016

The directors are responsible for the preparation and fair presentation of the financial statements of Mayfair Insurance Tanzania Limited comprising the statement of financial position at 31 December 2016, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the 18 month period then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report, 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 auditors are responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

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.

BY ORDER OF THE BOARD

....
Director

....
Director

Date: 30 March 2017

MAYFAIR INSURANCE TANZANIA LIMITED

DECLARATION OF THE FINANCE MANAGER
FOR THE 18-MONTH PERIOD ENDED 31 DECEMBER 2016

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/Accounting 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/Governing Body/Management 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/Governing Body as under Directors Responsibility statement on an earlier page.

I **Charles M Sebastian** being **the Finance Manager** of **Mayfair Insurance Tanzania Limited** hereby acknowledge my responsibility of ensuring that financial statements for the 18-month period ended 31 December 2016 ,have been prepared in compliance with the applicable accounting standards and statutory requirements.

I thus confirm that the financial statements of Mayfair Insurance 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: Charles M. Sebastian

Position: Finance Manager

NBAA Membership No: CPA GA 2149

Date: 30 March 2017

KPMG
Certified Public Accountants
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Haile Selassie Road, Masaki
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Dar es Salaam, Tanzania

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INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF MAYFAIR INSURANCE TANZANIA LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Mayfair Insurance Tanzania Limited ("the Company"), set out on pages 13 to 44 which comprise the statement of financial position as at 31 December 2016, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising 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 Mayfair Insurance Tanzania Limited as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) 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), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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.

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF MAYFAIR INSURANCE TANZANIA LIMITED (CONTINUED)

Key audit matters (continued)

Key audit matter	How the matter was addressed in our audit
Insurance contract liabilities - TZS 6.5 billion Refer to Note 11 to the financial statements on page 30	
Insurance contract liabilities constitute 61% of the Company's total liabilities. 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. 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 judgement 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 claiming, 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 above factors, insurance contract liabilities represents a significant risk for the Company.	Our audit procedures in this area included, among others: • We evaluated and tested the key controls around the claims handling and reserve setting processes of the Company. • We checked for any unrecorded liabilities at the end of the financial period. • We checked samples of claims reserves by comparing the estimated amount of the reserve to the appropriate documentation, such as reports from loss adjusters. • Re-performed reconciliations between the claims data recorded by the Company and the data used in the IBNR reserving calculations. • Re-computed the IBNR and compared to the one computed by management. • The Company's accounting policies in respect of insurance contact liabilities are included in the Company's accounting policies Note 3 (a) (ii) while the disclosures are included in Note 13 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act, 2002, Statements of Directors' responsibilities and Declaration of Accountant/ Head of Finance. The other information does not include the financial statements and our auditors' report thereon. Our opinion on the financial report does not cover other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read other information and, in doing so, consider whether the other information is materially inconsistency with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report the fact. We have nothing to report on this regard.

KPMG

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF MAYFAIR INSURANCE TANZANIA LIMITED (CONTINUED)

Directors' Responsibility for the Financial Statements

The Company's 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 of the Companies Act, 2002 and for such internal control, as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, the 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 the Directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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 on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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 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.

- 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.

KPMG

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF MAYFAIR INSURANCE TANZANIA LIMITED (CONTINUED)

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 Mayfair Insurance Tanzania Limited,
- the individual accounts are in agreement with 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 purpose of our audit.

KPMG
Certified Public Accountants (T)

Signed by: M. Salim Bashir
Dar es Salaam

30 March 2017

MAYFAIR INSURANCE TANZANIA LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Notes	2016 TZS'000
Assets		
Motor vehicle and equipment	5	336,913
Deferred acquisition costs	6	1,020,899
Investment in government securities		963,555
Deposits with financial institutions	7	3,803,528
Reinsurers' share of technical provisions and reserves	8	2,615,680
Insurance receivables	9	4,320,789
Income tax recoverable	21	4,316
Other receivables	10	5,172
Cash and bank balances		565,267
Total assets		**13,636,119**
Liabilities		
Insurance contract liabilities	11	6,501,680
Payables arising from reinsurance arrangements		2,914,993
Other payables	12	1,281,708
Total liabilities		**10,698,382**
Net assets		**2,937,738**
Shareholders' equity		
Share capital	13	4,000,000
Retained earnings		(1,323,917)
Capital and contingency reserves		261,655
Total shareholders' equity		**2,937,738**

The financial statements on pages 13 to 44 were authorised for issue by the Board of Directors on 30 March 2017 and were signed on its behalf by:

....
Director

....
Director

Notes and related statements forming part of these financial statements appear on pages 17 to 44.

Report of the Auditors – pages 9 to 12

MAYFAIR INSURANCE TANZANIA LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE 18-MONTH PERIOD ENDED 31 DECEMBER 2016

	Notes	2016 TZS'000
Gross premiums written	14	8,721,834
Premium ceded to re-insurers		(4,788,757)
Net written premium		**3,933,077**
Change in gross unearned premium provision	11	5,690,245
Re-insurers' share of change in the provision for unearned premium	8	(3,075,032)
Net unearned premium		**2,615,213**
Net insurance premium revenue		**1,317,864**
Commission income		333,267
Investment income	15	203,959
Exchange gain		18,539
Net income		**1,873,629**
Claims and benefits incurred	16	1,346,479
Re-insurers' share of claims and benefits incurred	16	(670,926)
Net insurance claims		**675,553**
Acquisition costs	17	509,950
Administrative expenses	18	1,750,389
		2,935,892
Loss before taxation		**(1,062,262)**
Taxation expense	21(a)	-
Loss for the year		**(1,062,262)**
Other comprehensive income / (loss)		-
Total comprehensive loss for the year		**(1,062,262)**

Notes and related statements forming part of these financial statements appear on pages 17 to 44.

Report of the Auditors – pages 9 to 12

MAYFAIR INSURANCE TANZANIA LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE 18-MONTH PERIOD ENDED 31 DECEMBER 2016

	Share capital TZS'000	Contingency reserves TZS'000	Retained earnings TZS'000	Total TZS'000
Balance as at the date of incorporation	**4,000,000**	**-**	**-**	**4,000,000**
Loss for the year	-	-	(1,062,262)	(1,062,262)
Transfer to contingency reserves *	-	261,655	(261,655)	-
Balance as at 31 December 2016	**4,000,000**	**261,655**	**(1,323,917)**	**2,937,738**

*The Contingency reserve is calculated annually as the higher of 3% of total 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

Notes and related statements forming part of these financial statements appear on pages 17 to 44.

Report of the Auditors – pages 9 to 12.

MAYFAIR INSURANCE TANZANIA LIMITED

STATEMENT OF CASH FLOWS
FOR THE 18-MONTH PERIOD ENDED 31 DECEMBER 2016

	Notes	2016 TZS'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation		(1,062,262)
Adjustments for:		
- Depreciation	5	81,777
Operating loss before working capital changes		**(980,485)**
Changes in:		
- Insurance contract liabilities		6,501,680
- Receivables arising out of direct insurance arrangements		(3,910,167)
- Receivables arising out of reinsurance arrangements		(410,622)
- Reinsurer's share of technical provision and reserves		(2,615,680)
- Other receivables		(5,172)
- Payables arising out of reinsurance arrangements		2,914,993
- Other payables		1,281,708
- Deferred acquisition cost		(1,020,899)
Cash generated from operating activities		**2,735,841**
Income tax paid	21(a)	(4,316)
Net cash generated from operating activities		**1,751,040**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of items of motor vehicle and equipment	5	(418,690)
Investment in treasury bills		(963,555)
Investment in deposits with banks	7	(3,336,048)
Net cash used in investing activities		**(4,718,293)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of share capital		4,000,000
Net cash from financing activities		**4,000,000**
Net increase in cash and cash equivalents		**1,032,747**
Movement in cash and cash equivalents during the year is as follows:		
Cash and cash equivalents as at 1 January		-
Cash and cash equivalents at 31 December	19	**1,032,747**

Notes and related statements forming part of these financial statements appear on pages 17 to 44.

Report of the Auditors – Pages 9 to 12

1. REPORTING ENTITY

Mayfair Insurance Tanzania Limited is a Company domiciled in Tanzania. The financial statements of the Company are for the 18-month period ended 31 December 2016. The addresses of its registered office and principal place of business are disclosed in the corporate information page of this report. The principal activities of the Company are described in the Directors' report.

2. BASIS OF PREPARATION

(a) Statement of compliance

The Financial statements have been prepared in accordance with and comply with the International Financial Reporting Standards (IFRS) and in the manner required by Companies Act, 2002. Additional information required by the regulatory bodies is included where appropriate.

For the Companies Act, 2002 reporting purposes, in these financial statements the balance sheet is represented by / is equivalent to the statement of financial position and the profit and loss account is presented in the statement of profit or loss and other comprehensive income.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:

- financial instruments at fair value through profit or loss are measured at fair value.
- available-for-sale financial assets are measured at fair value.

The methods used to measure fair value are discussed further in Note 4.

(c) Functional and presentation currency

These financial statements are presented in Tanzanian shillings, which is the Company's functional currency and presentation currency. Except as indicated, financial information presented in Tanzania shillings has been rounded to the nearest thousands ('000').

(d) Use of estimates and judgements

In preparing these financial statements, management has made judgements, 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 recognised prospectively. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

(i) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting into a material adjustment in the period ended 31 December 2016 is included in the following notes:

— Note 3(ii) and Note 11 – IBNR provision: key assumptions underlying provisions for losses not reported.

— Note 21 – recognition of deferred tax assets: availability of future taxable profit against which tax losses carried forward can be used;

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Recognition and measurement of contracts – general insurance business

General insurance business is accounted for on an annual basis.

i) Premiums

Premiums arising from general insurance business

General business written premiums comprise premiums on contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premiums are disclosed gross of commission payable to intermediaries and includes taxes and levies based on premiums.

An estimate is made at the reporting date to recognise retrospective adjustments to premiums or commissions. The earned portion of premiums received including unclosed business, is recognised as revenue. Premiums on unclosed business are brought into account, based upon the pattern of booking of renewals and new business. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of the risk underwritten. Outward reinsurance premiums are recognised as an expense in accordance with the pattern of reinsurance services received.

Unearned premium provision

The provision for unearned premiums comprises the proportion of gross premiums written which is estimated to be earned in the following or subsequent financial years, computed separately for each insurance contract using the daily pro rata method (daily 365^{th} basis), and adjusted if necessary to reflect any variation in the incidence of risk during the period covered by the contract.

(ii) Claims

Claims arising from general insurance business

Claims incurred in respect of general business consist of claims and claims handling expenses paid during the financial year together with the movement in the provision for outstanding claims.

Claims outstanding comprises provisions for the Company's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not, and related internal and external claims handling expenses and an appropriate prudential margin. Claims outstanding are assessed by reviewing individual claims and making allowance for claims incurred but not yet reported, the effect of both internal and external foreseeable events, such as changes in claims handling procedures, inflation, judicial trends, legislative changes and past experience and trends. Anticipated reinsurance recoveries, and estimates of salvage and subrogation recoveries, are disclosed separately as assets. Reinsurance and other recoveries are assessed in a manner similar to the assessment of claims outstanding. Claims provisions for claims outstanding are discounted where there is a particularly long period from incident to claims settlement and where there exists a suitable claims pattern from which to calculate the discount.

Whilst the directors consider that the gross provisions for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years (if any) are reflected in the financial statements for the period in which the adjustments are made, and disclosed separately if material. The methods used, and the estimates made, are reviewed regularly.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Claims (continued)

General insurance liabilities

The provision represents the estimated ultimate cost of settling all claims including direct and indirect settlement costs, arising from events that occurred up to the reporting date. Unpaid losses and loss adjustment expenses consist of estimates for reported losses and provisions for losses not reported called Incurred But Not Reported (IBNR).

(iii) Reinsurance

Amounts recoverable under reinsurance contracts are assessed for impairment at each reporting date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The Company ceded reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders. Premiums ceded and benefits reimbursed are presented in the profit of loss and statement of financial position on a gross basis. Only contracts that give rise to a significant transfer of insurance risk are accounted for as insurance. Amounts recoverable under such contracts are recognised in the same year as the related claim. Contracts that do not transfer significant insurance risk (i.e. financial reinsurance), are recorded using the deposit method of accounting. Reinsurance assets include balances due from reinsurance companies for ceded insurance liabilities. Premiums on reinsurance assumed are recognised as revenue and accounted as if the reinsurance was considered direct business, taking into account the product classification of the reinsured business. Amounts recoverable from re-insurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsured policy. Reinsurance contracts are entered into retrospectively to reinsure certain notified claims under the company's general insurance contracts. Any difference between the premium due to the re-insurer and the liability established by the company for the related claim is amortised over the unexpired period of these contracts.

(iv) Deferred acquisition costs

The cost of acquiring new and renewal insurance business that is primarily related to the production of that business are deferred [see accounting policy (g)].

(b) Revenue

The accounting policy in relation to revenue from insurance contracts is disclosed in note 3(a). Fees and commission income which includes commission earned on reinsurance are recognised on an accruals basis.

(c) Financial Instruments

i) Recognition

The Company initially recognises equity investments, deposits with financial institutions, trade and other receivables, cash and cash equivalents, trade and other payables and insurance contract liabilities and government securities on the date at which they are originated. Regular way purchases and sales of financial assets are recognised on the trade date at which the company commits to purchase or sell the asset. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the company becomes a party to the contractual provisions of the instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial Instruments (continued)

i) Recognition (continued)

A financial asset or financial 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.

(ii) De-recognition

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

Any interest in transferred financial assets that qualify for derecognition that is created or retained by the company is recognised as a separate asset or liability in the statement of financial position.

(iii) Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the company has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

(iv) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(v) Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the company measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the company establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial Instruments (continued)

(v) Fair value measurement (continued)

Held-to-maturity financial assets

If the company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Company from classifying investment securities as held-to-maturity for the current and the following two financial years.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances. Deposits with financial institutions and treasury bills maturing within 90 days are included as a component of cash and cash equivalents for the purpose of the statement of cash flow.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. The Company's investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences (if any) on available-for sale equity instruments, are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is de-recognised, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be measured reliably are measured at cost.

(vi) Non-derivative financial liabilities

The Company has trade and other payables as non derivative financial liabilities.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

(vii) Share capital

Ordinary shares are classified as equity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Motor vehicle and equipment

i) Recognition and measurement

Items of motor vehicles and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Borrowing costs related to the acquisition or constructions of qualifying assets are recognised in profit or loss as incurred.

When parts of an item of motor vehicles and equipment have different useful lives, they are accounted for as separate items (major components) of motor vehicle and equipment.

Gains and losses on disposal of an item of motor vehicle and equipment are determined by comparing the proceeds from disposal with the carrying amount of motor vehicle and equipment and are recognised net within the profit or loss.

ii) Subsequent costs

The cost of replacing part of an item of motor vehicle and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its costs can be measured reliably. The carrying amount of the replaced part is derecognised. The cost of day to day servicing of motor vehicle and equipment are recognised in profit or loss as incurred.

iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of motor vehicle and equipment. Depreciation is charged on an annual basis as follows:

• Motor vehicles	4 years
• Computer equipment	3 years
• Furniture, fixtures, fittings and equipment	8 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(e) Foreign currency translation

Transactions in foreign currencies are translated to the functional currency (Tanzanian Shillings) at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Impairment

i) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security.

The Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

ii) Non financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets (if any) that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Impairment (Continued)

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(g) Commission payable and deferred acquisition costs

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

(h) Dividends

Dividends on ordinary shares are recognised as a liability in the period in which they are declared.

(i) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(j) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it is related to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Income tax (continued)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(k) Employees benefits

i) Retirement benefits

The Company makes statutory Contributions to the National Social Security Fund (NSSF) and the Parastatal Pension Fund (PPF). The Company's obligations in respect of contributions to such funds are 10% of the employee basic salary in respect of PPF members and 10% of the employees' gross emoluments in respect of NSSF members.

Contributions to these pension funds are recognised as an expense in the period the employees render the related services.

ii) Short term benefits

The cost of all short-term employee benefits such as salaries, employees entitlements to leave pay, medical aids, long service award, other contributions, etc are recognised during the period in which the employees render the related services. The Company recognises the expected cost of bonuses and long service award only when the Company has a present legal or constructive obligation to make such payments and reliable estimate can be made.

iii) Termination benefits

Accumulative termination benefits are payable according to voluntary agreement entered between the employees and the Company whenever:

- An employee's employment is terminated before the normal retirement date.
- An employee accepts voluntary redundancy.
- Normal retirement.

(l) Investment income and expenses

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date the company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, changes in fair value of financial assets at fair value through profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

(m) Contingency reserve

The Contingency reserve is calculated annually as the higher of 3% of total 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Standards issued but not yet effective

At the date of authorisation of the financial statements for the year ended 31 December 2016, the following relevant Standards were in issue but not yet effective:

New standard or amendments	Effective for annual periods beginning on or after
• Disclosure Initiative (Amendments to IAS 7)	1 January 2017
• Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)	1 January 2017
• IFRS 15 Revenue from Contracts with Customers	1 January 2018
• IFRS 9 Financial Instruments	1 January 2018
• Classifications and Measurement of Share-based Payment Transactions(Amendments to IFRS 2)	1 January 2018
• IFRS 16 leases	1 January 2019

All Standards and Interpretations will be adopted at their effective date except for those Standards and Interpretations that are not applicable to the Company. The directors are in the process of assessing the impact of these new standards some of which may have significant impact on the Company.

Disclosure Initiative **(Amendments to IAS 7)**

The amendments provide for disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. This includes providing a reconciliation between the opening and closing balances for liabilities arising from financing activities.

The amendments apply for annual periods beginning on or after 1 January 2017 and early application is permitted.

Recognition of Deferred Tax Assets for Unrealised Losses **(Amendments to IAS 12)**

The amendments provide additional guidance on the existence of deductible temporary differences, which depend solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.

The amendments also provide additional guidance on the methods used to calculate future taxable profit to establish whether a deferred tax asset can be recognised.

Guidance is provided where an entity may assume that it will recover an asset for more than its carrying amount, provided that there is sufficient evidence that it is probable that the entity will achieve this.

Guidance is provided for deductible temporary differences related to unrealised losses are not assessed separately for recognition. These are assessed on a combined basis, unless a tax law restricts the use of losses to deductions against income of a specific type.

The amendments apply for annual periods beginning on or after 1 January 2017 and early application is permitted.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Standards issued but not yet effective (Continued)

IFRS 15 *Revenue from contracts with customers*

This standard replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter of Transactions Involving Advertising Services*.
The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.
This new standard will most likely have a significant impact on the Company, which will include a possible change in the timing of when revenue is recognised and the amount of revenue recognised. The Company is currently in the process of performing a more detailed assessment of the impact of this standard on the Company and will provide more information in the year ended 31 December 2017 financial statements.
The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

IFRS 9 *Financial Instruments*

On 24 July 2014, the IASB issued the final IFRS 9 *Financial Instruments* Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement.*

This standard will have a significant impact on the Company, which will include changes in the measurement bases of the Company's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model, which is expected to increase the provision for bad debts recognised in the Company.

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted.

***Clarifying share-based payment accounting* (Amendments to IFRS 2)**

Currently, there is ambiguity over how a company should account for certain types of share-based payment arrangements. The IASB has responded by publishing amendments to IFRS 2 Share-based Payment.

The amendments cover three accounting areas:

Measurement of cash-settled share-based payments –The new requirements do not change the cumulative amount of expense that is ultimately recognised, because the total consideration for a cash-settled share-based payment is still equal to the cash paid on settlement.

Classification of share-based payments settled net of tax withholdings –The amendments introduce an exception stating that, for classification purposes, a share-based payment transaction with employees is accounted for as equity-settled if certain criteria are met.

Accounting for a modification of a share-based payment from cash-settled to equity-settled –. The amendments clarify the approach that companies are to apply.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Standards issued but not yet effective (Continued)

Clarifying share-based payment accounting* (Amendments to IFRS 2) *(continued)

The new requirements could affect the classification and/or measurement of these arrangements – and potentially the timing and amount of expense recognised for new and outstanding awards. The amendments are effective for annual periods commencing on or after 1 January 2018.

IFRS 16 *Leases*

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the Statement of Financial position. No significant changes have been included for lessors.

The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15.

The transitional requirements are different for lessees and lessors. The Company have begun assessing the potential impact on the financial statements resulting from the application of IFRS 16. This standard will most likely have a significant impact on the Company, which will include bringing almost all leases on the statement of financial position.

***Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to IFRS 10 and IAS 28)**

The amendments require the full gain to be recognised when assets transferred between an investor and its associate or joint venture meet the definition of a 'business' under IFRS 3 *Business Combinations*. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or joint venture is recognised. The definition of a business is key to determining the extent of the gain to be recognised.

The IASB has decided to defer the effective date for these amendments indefinitely. Adoption is still permitted.

4. DETERMINATION OF FAIR VALUES

A number of the company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods:

(a) Insurance receivables and other receivables

The fair value of insurance and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting rate.

MAYFAIR INSURANCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. DETERMINATION OF FAIR VALUES (CONTINUED)

(b) Investments in equity

The fair value of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets is determined by reference to their quote bid price at the reporting date where such information is available otherwise stated at cost. The fair value of held-to-maturity investments is determined for disclosure purposes only.

(c) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

5. MOTOR VEHICLE AND EQUIPMENT

	Motor vehicles TZS'000	Computer equipment TZS'000	Furniture, fittings & office equipment TZS'000	Total TZS'000
Cost				
At 1 August 2015	37,000	64,521	317,169	418,690
At 31 December 2016	**37,000**	**64,521**	**317,169**	**418,690**
Depreciation				
At 1 August 2015	-	-	-	-
Charge for the year	7,400	21,505	52,872	81,777
At 31 December 2016	**7,400**	**21,505**	**52,872**	**81,777**
Net book value	29,600	43,016	264,297	336,913
At 31 December 2016	**29,600**	**43,016**	**264,297**	**336,913**

6. DEFERRED ACQUISITION COST

	2016 TZS'000
Balance at 1 January	-
Deferred acquisition costs for the year (Note 17)	1,020,899
Balance at 31 December	**1,020,899**

7. DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS

	2016 TZS'000
Deposits maturing:	
Within 90 days of placement (Note 19)	467,480
Over 90 days but within a year	3,336,048
	3,803,528

8. REINSURERS' SHARE OF TECHNICAL PROVISIONS AND RESERVES

Unearned Premium	3,075,032
Claims Outstanding	451,802
Unearned Reinsurance Commission	(911,154)
	2,615,680

9. INSURANCE RECEIVABLES

Receivables arising out of direct insurance arrangements:	
Direct clients	53,443
Agents and brokers	1,429554
Related parties	2,427,170
	3,910,167
Receivables arising out of reinsurance arrangement	410,622
	4,320,789

10. OTHER RECEIVABLES

Staff debtors	18
Prepayments and sundry debtors	5,154
	5,172

11. INSURANCE CONTRACT LIABILITIES

	2016 TZS'000
Gross unearned premium provision	5,690,245
Gross outstanding claims provision	751,496
Gross IBNR provision	59,939
	6,501,680

12. OTHER PAYABLES

	2016 TZS'000
Sundry creditors	186,380
Output VAT and Withholding Taxes	330,163
Provision for audit fees	27,786
Statutory deductions	34,829
Leave pay provision Liability	27,817
Provision for premium tax and levies	5,657
Commission Liability	669,076
	1,281,708

13. SHARE CAPITAL

Authorised:	
8,000,000 ordinary shares with a par values of TZS 1,000 per share	**8,000,000**
Issued and fully paid up:	
4,000,000 ordinary shares of TZS 1,000 each	**4,000,000**

14. GROSS PREMIUM

Fire	2,727,845
Motor	3,566,510
Accident	117,845
Workmen Compensation	35,038
Liability	199,526
Bond and Fidelity guarantee	237,752
Marine	978,508
Engineering	560,966
Miscellaneous	297,844
	8,721,834

15. INVESTMENT INCOME

Interest income from deposits with financial institutions	94,329
Interest income from investments in government securities	109,630
	203,959

16. INSURANCE CLAIMS

	2016 TZS'000
Gross Claims Paid	535,044
Gross Claims Outstanding	751,496
IBNR	59,939
Total Gross Claims	**1,346,479**
Reinsurance Share of Paid Claims	219,125
Reinsurance Share of Outstanding Claims	451,801
Total Claims Recovery	**670,926**
Incurred Claims	**675,553**

17. ACQUISITION COSTS

Commission expense	1,530,849
Movement in deferred acquisition costs – See Note 6	(1,020,899)
	509,950

18. ADMINISTRATIVE EXPENSES

Profit before taxation and reserve transfers is stated after charging:

Staff costs	740,865
Directors remuneration (Note 20)	59,011
Auditors remuneration	27,786
Depreciation	81,777
Premium taxes, levies and licenses	168,714
Other expenses	672,236
Less: allocation of administrative expenses to claims and benefits incurred	-
Net administrative expenses	**1,750,389**

19. CASH AND CASH EQUIVALENTS

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

Bank and cash balances	565,267
Deposits with financial institutions maturing within 90 days	467,480
	1,032,747

20. RELATED PARTIES TRANSACTIONS

The majority shareholder is Mayfair Insurance Company Limited incorporated in Kenya.

(a) Trading transactions

The Company was not charged any management fees during the year in respect of services and technical support provided by Mayfair Insurance Company Ltd - Kenya (the ultimate holding company).

Transaction with related parties during the year were in the normal course of business.
The above transactions give rise to amounts due from related parties as shown below:

(b) Business from companies related to directors (due from related parties)	2016 TZS'000
Insurance premiums	2,427,170

(c) Directors' remuneration	
Remuneration paid to directors during the year was as follows:	
Directors fees	42,451
Travel, accommodation and allowances	16,560
	59,011

(d) Key management personnel remuneration	
Salaries and other short-term benefits	**474,188**

21. TAXATION

(a) Current taxes

	2016 TZS'000
(i) Income tax expense	
Current year tax charge – See (ii) below	-
Deferred income tax charge – Note 21 (b)	-
(ii) Current tax charge	
Taxable income/(loss) for the year	(1,003,764)
Prior year tax losses brought forward	-
Adjusted taxable loss for the year	(1,003,764)
Income tax charge at 30%	-
(iii) Income tax receivable account	
Balance at 1 January	-
Tax charge for the period	-
Tax payments during the year	4,316
	4,316

21. TAXATION (Continued)

(b) Deferred tax asset

The Company computed a deferred tax asset amounting to Tzs 317 million during the period ended 31 December 2016. Being the first year of operation the Company has made tax losses of TZS 1,003,764,275 and therefore the Directors have not recognised this deferred tax asset and its corresponding tax credit because it is not probable that future taxable profit will be available in the foreseeable future against which the Company can use to utilise the benefit thereon.

Deferred tax assets has been computed in respect of the following items:

	2016
	TZS'000
Accelerated depreciation for tax purposes	(16,321)
General provision	69,217
Tax losses carried forward	1,003,764
	1,056,660
Provision for deferred tax at 30%	**316,998**
Unrecognized deferred tax	**(316,998)**
Balance as at 31 December	-

The tax affairs of the Company are subject to agreement with the Tanzania Revenue Authority (TRA).

22. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The Directors confirm that they are not aware of any contingent liability as at the date of this report. The Directors also confirm that there are no commitments involving the Company as at the date of this report.

23. MANAGEMENT OF CAPITAL, INSURANCE AND FINANCIAL RISK

The company issues contracts that transfer insurance risk or financial risk or both. This section summarises these risks and the way the company manages them.

(a) Insurance risk

(i) General insurance contracts

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 based on past experience.

23. MANAGEMENT OF CAPITAL, INSURANCE AND FINANCIAL RISK (CONTINUED)

(a) Insurance risk (continued)

(i) General insurance contracts (continued)

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 risk accepted and within each of these categories to achieve a sufficient 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.

ii) Frequency and severity of claims

The frequency and severity of claims can be affected by several factors, such as inflation, legal rulings and weather events. The company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography.

Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the company has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. Insurance contracts also entitle the company to pursue third parties for payment of some or all costs (i.e. subrogation).

The reinsurance arrangements include excess of loss, and catastrophe coverage. The effect of such reinsurance arrangements is that the company should not suffer total net insurance losses of more than TZS 25 million on motor accident and liabilities, TZS 50 million on fire and engineering and TZS 10 million on marine hulls and cargo. In addition to the overall company reinsurance programme, individual business units are permitted to purchase additional reinsurance protection.

23. MANAGEMENT OF CAPITAL, INSURANCE AND FINANCIAL RISK (CONTINUED)

(a) Insurance risk (continued)

iii) Concentration of insurance liabilities

The company sells insurance products to the general public and therefore is not exposed to any concentration of risk in one particular sector.

The following table discloses 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.

2016	Maximum insured loss			
Class of business	**TZS 0 - 15m**	**TZS 15 - 250m**	**Above TZS 250m**	**Total**
	TZS'000	**TZS'000**	**TZS'000**	**TZS'000**
Motor gross	615,394	1,541,925	1,409,191	3,566,510
Net	543,689	1,230,888	1,100,759	2,875,336
Accident gross	-	7,066	110,779	117,845
Net	-	4,174	65,435	69,609
Marine gross	4,279	329,596	644,633	978,508
Net	1,949	150,127	293,623	445,698
Fire gross	16,666	20,843	2,690,336	2,727,845
Net	1,310	1,638	211,479	214,427
Engineering gross	-	-	560,966	560,966
Net	-	-	152,388	152,388
Others	10,912	286,173	473,075	770,160
Net	7,632	200,151	330,872	538,655
Total gross premium	**647,251**	**2,185,603**	**5,328,014**	**8,721,834**
Total net premium (inclusive of re-insurer's share TZS 363 million)	**554,580**	**1,586,978**	**2,154,556**	**4,296,115**

23. MANAGEMENT OF CAPITAL, INSURANCE AND FINANCIAL RISK (CONTINUED)

(b) Financial risk

The Company is exposed to a range of financial risks through its financial assets, financial liabilities (investment contracts), reinsurance 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 and investment contracts. The most important components of this financial risk are interest rate risk, equity price risk, currency risk and credit risk.

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

The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework. The Board has established the audit committee, which is responsible for developing and monitoring company risk management policies in their specified areas. All Board committees have both executive and non-executive members and report regularly to the Board of Directors on their activities.

The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Audit Committee is responsible for monitoring compliance with the company's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the company. The Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risk, and the company's management of capital.

(c) Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's trade and other receivables. Key areas where the company is exposed to credit risk are:

Re-insurers' share of insurance contract liabilities; amounts due from reinsurers in respect of claims already paid amounts due from direct clients, brokers and agents.

The company has established a credit policy under which each new customer (direct, brokers, agents and other insurance companies) is analysed individually for creditworthiness before the company's standard payment and delivery terms and conditions are offered.

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

23. MANAGEMENT OF CAPITAL, INSURANCE AND FINANCIAL RISK (CONTINUED)

(c) Credit risk (continued)

Other receivables are not having standard credit characteristics; they differ depending on whether they are normal prepayments and deposits, "governed by specific prepayment and deposits terms" or the creditworthiness of entity from which they are receivable.

The maximum exposure to credit risk at 31 December 2016 is the carrying value of the financial assets in the balance sheet.

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

None of the above assets are past due or impaired.

The table below shows category of trade and other receivables as defined by IAS 39, analysing the carrying amounts – similar to their fair values at the reporting date and showing maximum exposure to credit risk, if different from carrying amount.

	2016	
	Loans & receivables TZS'000	**Exposure to credit risk TZS'000**
Deposit with financial Institutions	3,803,528	3,803,528
Investments in government securities	963,555	-
Cash and cash equivalent	565,267	565,267
Receivable arising from reinsurance arrangements	410,622	410,622
Receivables arising from direct insurance arrangement	3,910,168	3,910,168
Re-insurers' share of insurance liabilities	2,615,680	2,615,680
Deferred acquisition cost	1,020,899	1,020,899
Other receivables	5,172	5,172
	13,294,890	**12,331,335**

(d) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

The company ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

All liquidity policies and procedures are subject to review and approval by the company's board of directors.

23. MANAGEMENT OF CAPITAL, INSURANCE AND FINANCIAL RISK (CONTINUED)

(d) Liquidity risk (continued)

Maturity profile of non-derivative financial liabilities based on the contractual cash flows, "undiscounted" including interest and excluding impact of netting is as follows:

The table below shows the contractual maturity of financial liabilities:

2016	Carrying Amount TZS'000	Due on demand TZS'000	1 – 3 months TZS'000	3 – 12 months TZS'000	1 – 5 years TZS'000
Payables arising from reinsurance arrangements	2,914,993	-	1,663,872	1,251,121	-
Insurance contract liabilities	6,501,680	-	3,554,589	2,947,091	-
Other payables	1,281,708	-	700,733	580,974	-
	10,698,382	**-**	**5,919,194**	**4,779,187**	**-**

(e) Market risks

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Interest rate risk

The Company's operations are subject to the risk of interest rate fluctuations to the extent that interest earning assets and interest bearing liabilities mature or reprice at different times or in differing amounts. Risk management activities are aimed at optimizing net interest income, given market interest rates levels consistent with the company's business strategies.

MAYFAIR INSURANCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. MANAGEMENT OF CAPITAL, INSURANCE AND FINANCIAL RISK (CONTINUED)

(e) Market risks (continued)

(i) Interest rate risk (continued)

The Company's operations are subject to the risk of interest rate fluctuations to the extent that interest earning assets and interest bearing liabilities mature or reprice at different times or in differing amounts. Risk management activities are aimed at optimizing net interest income, given market interest rates levels consistent with the company's business strategies.

The table below summarizes the contractual maturity periods and interest rate profile of the Company's financial instruments:

2016	On demand TZS'000	Due between 3 and 12 months TZS'000	Due between 1and 5 years TZS'000	Non interest bearing TZS'000	Total TZS'000
Assets					
Investments in government securities	-	963,555	-	-	963,555
Deposits with financial Institutions	467,480	3,336,048	-	-	3,803,528
Reinsures' share of technical provisions and reserves	1,501	2,614,179	-	-	2615,680
Other receivables	5,172	-	-	-	5,172
Insurance receivables	-	4,320,790	-	-	4,320,790
Cash and bank balances	565,267	-	-	-	12,273,991
	1,039,440	**11,234,571**	-	-	**12,741,471**
Liabilities					
Insurance contract liabilities	-	6,501,681	-	-	6,501,681
Payables arising from reinsurance arrangements	-	2,914,993	-	-	2,914,993
Due to related parties	-				
Other payables	-	1,281,708	-	-	1,281,708
	-	**10,698,382**	-	-	**10,698,382**
Interest sensitivity gap	**1,039,440**	**536,189**	-	-	**2,043,089**

23. MANAGEMENT OF CAPITAL, INSURANCE AND FINANCIAL RISK (CONTINUED)

(e) Market risks (continued)

(ii) Currency risk

The company is exposed to currency risk on settlement of reinsurance premiums to reinsurers, settlement of claims in foreign currency, short term insurance contracts and investments that are denominated in a currency other than the respective functional currency of the company, the Tanzanian Shillings (TZS). The company's strategy towards managing its foreign currency exposure is through transacting mainly using its functional currency.

Exposure to currency risk for foreign denominated amounts in the following classes of financial instruments; disclosure around market risk also relates to sensitivity analysis of the type of market risk –currency risk, showing how the income profit or loss and equity would have been affected by reasonably possible changes in the relevant risk variable at the year-end date.

The Company's exposure to foreign currency risk was as follows based on notional amounts in US dollars:

	2016 TZS'000
Bank balances	386,720
Receivables	3,447,722
Payables	(4,379,989)
	2,224,959
A sensitivity analysis in relation to net exposure for a 10% strengthening of the USD against TZS	
Increase/(decrease) in equity	222,496
Increase/(decrease) in profit or loss	222,496

The following significant exchange rates applied during the year:

	Average rate	**Closing rate**
US Dollar	2175.50	2172.62

(iii) Weighted average effective interest rates

The following table summarizes the weighted average effective rates at the year-end on the principal interest-bearing investments

	%
Government securities	17.17
Deposits with financial institutions (TZS)	14.70
Deposits with financial institutions (US$)	4.21

23. MANAGEMENT OF CAPITAL, INSURANCE AND FINANCIAL RISK (CONTINUED)

(f) Capital management

The Company maintains an efficient capital structure from a combination of equity shareholders' funds which is consistent with the Group's risk profile and the regulatory and market requirements of its business.

In 2016, the return on capital employed is 36%. Return on capital is defined as: profit for the year after tax divided by total shareholders' equity. There were no changes in the Company's approach to capital management during the year.

(g) Regulatory capital

The Company is required to comply with the following:

The Company's lead regulator, Tanzania Insurance Regulatory Authority, sets and monitors capital requirements for the company as a whole.

As per regulation issued under section 18 of the Insurance Act, 2009, it requires the minimum amount of paid up share capital to be maintained by a general insurer to be TZS 1.65 billion for the period ended 31 December 2016.

As at year end, the Company had issued and paid up ordinary share capital of 4,000,000 shares at TZS 1,000 amounting to TZS 4,000,000,000/-

The Company's objectives when managing capital are:

- To comply with the insurance capital requirements that the regulators of the insurance markets require;
- To safeguard the company's ability to continue as a going concern, so that it can continue to provide returns for 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.

There were no changes in the Company's approach to capital management during the year.

(h) Margin of solvency

The Company's capital management objective is to comply with the capital and solvency requirements as set out in the Insurance Act 2009 ('the Act') and its regulations, to safeguard the Company's ability to continue as a going concern and to provide an adequate returns to shareholders.

The Act requires an insurance company transacting general business to have minimum paid up capital of TZS 1.5 billion times the lesser of 1.1 and the ratio of current year to prior year Consumer Price Index (CPI), i.e TZS 1,914,686,000 and maintain a solvency margin, (i.e. admitted assets less total liabilities) of the greater of TZS 1,131 million and 20% of net premiums written, i.e. TZS 786,615,000 for the year ended 31 December 2016.

The Company's paid up share capital at 31 December 2016 was 4,000,000,000, which is above the prescribed minimum capital requirement for an insurance company transacting general business. The Company also reviews its capital movements regularly to ensure that it is adequately capitalised at all times and is able to sustain its financial capability and comply with the regulatory requirements.

23. MANAGEMENT OF CAPITAL, INSURANCE AND FINANCIAL RISK (CONTINUED)

(h) Margin of solvency (continued)

In order to comply with the Insurance Act 2009 and its regulations, the Company has transferred a total of TZS 261,655,005 to the contingency reserve.

As at 31 December 2016, the Company's total admissible assets exceeded liabilities as prescribed in the Act and the accompanying regulations by TZS 1,327,175,947 resulting in a solvency margin surplus of TZS 195,825,000.

Solvency margin as at 31 December 2016	**TZS' 000**	**Short term Business TZS' 000**
Total admitted assets		9,409,878
Total admitted liabilities		8,082,703
Add: Margin requirement		
(The greater of TZS 1,131.35 million or 20% of net written premium)		1,131,350
-Net Written Premium current period	3,933,077	
-20% of net written premium	261,655	
Total liabilities and minimum requirement (margin requirement)		**9,214,053**
Solvency Margin		**195,825**

24. FINANCIAL ASSETS AND LIABILITIES

Accounting classifications and fair values

The table below sets out the company's classification of each class of financial assets and liabilities, and their fair values.

31 December 2016	At fair value through profit or loss TZS'000	Held to maturity TZS'000	Loans and receivables TZS'000	Available for sale TZS'000	Other amortised cost TZS'000	Total carrying amount TZS'000	Fair value TZS'000
ASSETS							
Investments in government securities	-	963,555	-	-	-	963,555	963,555
Deposits with financial institutions	-	3,336,048	-	-	-	3,336,048	3,336,048
Reinsurer's share of technical provision and reserve	-	-	2,615,680	-	-	2,615,680	2,615,680
Insurance receivables	-	-	4,320,790	-	-	4,320,790	4,320,790
Other receivables	-	-	5,172	-	-	5,172	5,172
Cash and cash equivalents	-	1,032,747	-	-	-	1,032,747	1,032,747
Total assets	**-**	**5,332,350**	**6,941,641**	**-**	**-**	**12,273,991**	**12,273,991**
LIABILITIES							
Insurance contract liabilities	-	-	6,501,680	-	-	6,501,680	6,501,680
Payables arising from re insurance arrangements	-	-	2,914,993	-	-	2,914,993	2,914,993
Other payables	-	-	1,281,708	-	-	1,281,708	1,281,708
Due to related parties	-						
Total liabilities	**-**	**-**	**10,698,382**	**-**	**-**	**10,698,382**	**10,698,382**