TANZANIA

Regional Presence

- Kenya
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MAYFAIR INSURANCE

You are in safe hands

Annual Report
& Financial Statements

2019

FINANCIAL STRENGTH RATING A+ (KE) MAYFAIR INSURANCE CO. LTD

Parent Company Rating

Table of content

List of Abbreviation

CPA	Certified Public Accountant
CGU	Cash Generating Unit
IAS	International Accounting Standards
IBNR	Incurred But Not Reported
IEASB	International Ethics Standards Board for Accountants
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
ISA	International Standards on Auditing
NBAA	National Board of Accountants and Auditors
NSSF	National Social Security Fund
PSSSF	Public Service Social Security Fund
TRA	Tanzania Revenue Authority
TZS	Tanzania Shillings
USD	United State Dollars
VAT	Value Added Tax

Corporate Information

DIRECTORS

Mr. Jayesh G. Shah	British	Chairman
Mr. Anjay V. Patel	British	Director
Mr. Vishal R. Patel	Kenyan	Director
Mr. Abbas M. Jessa	Tanzanian	Director
Mr. David A. Sawe	Tanzanian	Director
Mr. William E. Erio	Tanzanian	Director
Mr. Pawan S. Patel	Tanzanian	Director
Mr. Darpan Pindolia	British	Director

MANAGEMENT

Sanjay K. Singh	Chief Executive Officer
Dinesh M. Kankekar	General Manager - Technical
Charles M. Sebastian	Chief Finance Officer
Chrisbeth Thomas	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

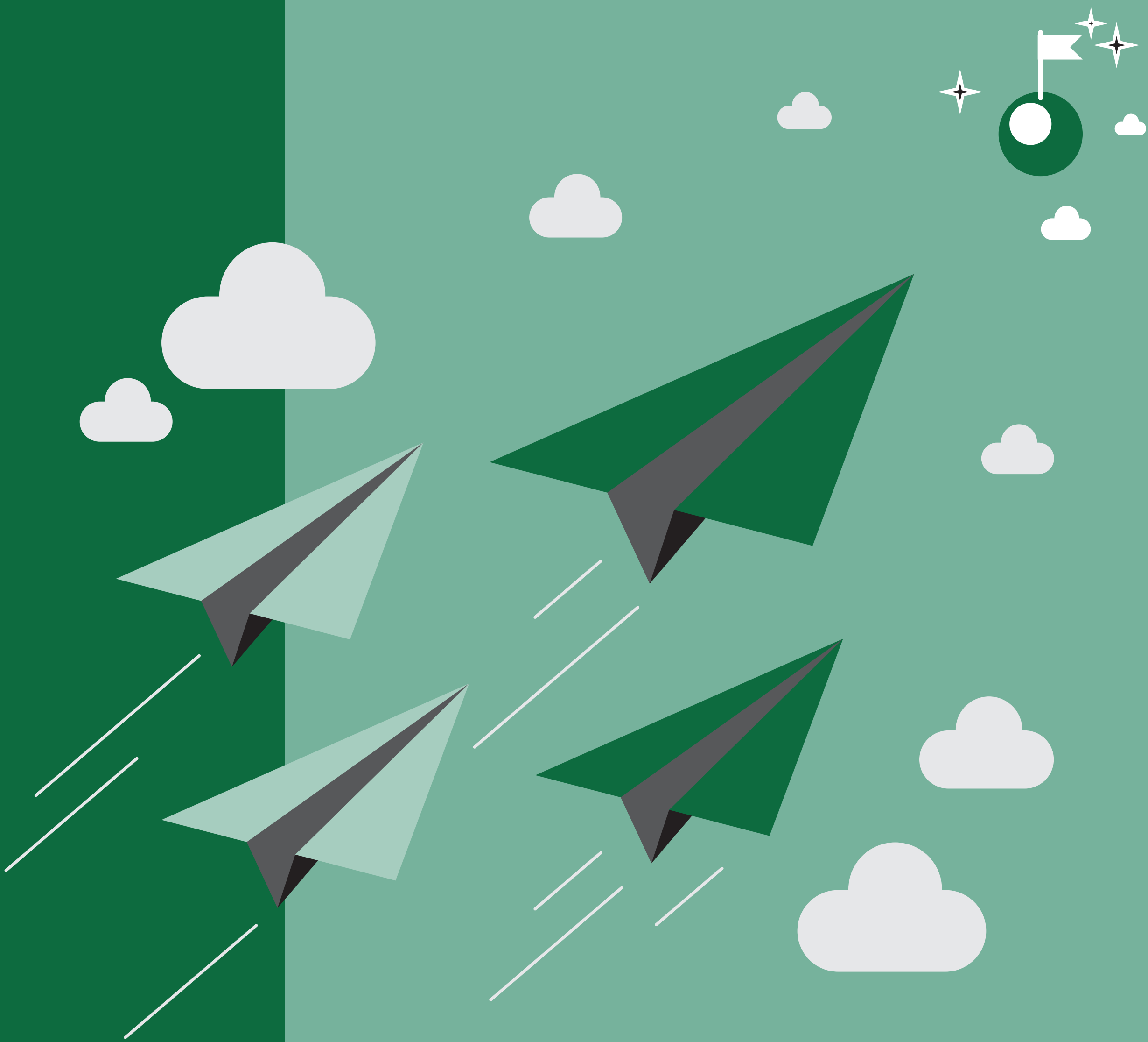
MAIN BANKERS

I & M Bank (Tanzania) Limited
Main Branch – Mosque Street
P. O. Box 1509
Dar es Salaam

Diamond Trust Bank Tanzania Limited
Upanga Branch – UN Road
P. O. Box 115
Dar es Salaam

Hon. Peter Kenneth
Founder and Visionary
Mayfair Group

MAYFAIR
INSURANCE



FINANCIAL STRENGTH RATING
A+
(KE)
MAYFAIR INSURANCE CO. LTD

Parent Company Rating

TANZANIA

KENYA

ZAMBIA

RWANDA

UGANDA

DR CONGO

Our Regional presence and growing customer base shows our commitment to deliver exceptional customer experience.

Board of Directors

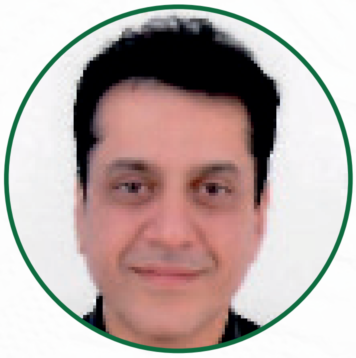
Mr. Jayesh G. Shah
Chairman

Mr. William E. Erio
Director

Mr. David A. Sawe
Director

Mr. Anjay V. Patel
Director

Mr. Vishal R. Patel
Director



Mr. Abbas M. Jessa
Director

Mr. Pawan S. Patel
Director

Mr. Darpan Pindolia
Director

Chairman's Report Cont...

Dear Shareholders,

31st March, 2020

On behalf of the Board of Directors, I am pleased to present the 4th Annual Report and Financial Statements of your company for the year ended 2019.

OPERATING ECO-SYSTEM

Tanzania has maintained its position as one of the fastest growing economies in sub-Saharan Africa for over a decade now clocking an average GDP growth of 6-7% per year.

This notable achievement has propelled Tanzania to be one of the fastest growing top 20 economies of the world. As per latest data from African Development Bank, Tanzania posted a real GDP growth of 6.8% in 2019 as against 7% in 2018. The GDP growth in 2019 was quite commendable in the back drop of global economic situation and conditions in neighboring economies.

Under the guidance of 5th phase government so ably led by H.E. Hon'ble President John Pombe Magufuli, Tanzania is now fast marching towards its goal of achieving middle-income economy status by 2025. As per growth trends, this could be achieved sooner than later as Tanzanian economy has now matured as a markedly diversified economy characterized by a fast growing middle class with robust private consumption, substantial public spending, strong investment growth and highly positive export trends.

Tourism, mining, service, construction, agriculture and manufacturing sectors continue to be the bed rocks of the Tanzanian economy.

The year saw speeding up of SGR project and take off of mega project like Steigler Gorge Hydro Power project which will go a long way in ensuring power security to the nation.

Inflation showed marked improvement from 3.6% in 2018 to 3.3% in 2019 on strength of improved food supply. The Tanzanian shilling remained reasonably stable in 2019 with an average exchange rate of 2290 to a dollar as compared to 2263 in 2018.

Other key economic indicators slightly widened like fiscal deficit at 2% (1.3% in 2018) and current account deficit at 3.4% (3.3% in 2018) showing that the economy was in expansion mode.

MACROECONOMIC OUTLOOK

2020 will be an election year. However, sustained political stability, strategic geographical location, fast growing middle class, large proportion of young population, diversified economy backed by abundant natural resources coupled with strong record of economic governance point to a positive medium-term outlook that will lead to long term development goals.

The fifth phase regime's ambitious development agenda under adroit leadership of H.E. Hon'ble President John Pombe Magufuli focuses on creating a better business environment through improved infrastructure, access to financing and education progress to capitalize on previously under explored strengths and opportunities which is a big positive sign for 2020.

Chairman's Report Cont...

The outlook, is ,however contingent upon a few variables like favorable weather conditions and also on how the world copes up with the emerging uncertainties due the global pandemic Covid-19 which has started impacting the global economies. It's a bit early to project the impact of Covid-19 on Tanzania as I write this report.
Though poverty has been showing downward trend, it remains key issue to be addressed along with income disparity and youth unemployment.

GENERAL INSURANCE INDUSTRY SCENARIO

The industry welcomed Dr. Mussa C Juma who was appointed as the new Commissioner of Insurance (COI) at Tanzania Insurance Regulatory Authority (TIRA) on 25th June, 2019.
The industry hopes to scale greater heights under the guidance and leadership of Dr. Mussa, COI by utilizing his rich experience in the insurance world.

We assure our support and commitment to do our best to achieve his visions of increasing the insurance penetration, financial inclusion and increased local risk retention and content through focused approach on micro-insurance and agriculture insurance through customized affordable insurance products and increased upskilling and training of Human capital.

This year marked increased emphasis on digitization in industry and TIRA introduced significant initiatives like On-line portal for filing for applications for externalization of risks and renewals of registration among others.
A landmark initiative introduced in 2019 was The Insurance (Bancassurance) Regulation, 2019 paving the way for banks to participate in distribution of insurance products. This important initiative will go a long way in actualizing government's vision of enhancing financial inclusion by greatly improving the insurance penetration in the country.

As per official TIRA figures, the Tanzanian General Insurance Industry Gross Written Premium (GWP) expanded to TZS 587. 63 billion in 2018 by recoding a growth of 5.6% against decline of 5% in 2017.
Though official figures for 2019 are not available now, it is expected that the industry would have expanded in 2019 as well which is a good sign.

COMPANY PERFORMANCE

Your company achieved a Gross Written Premium (GWP) of TZS 22.16 billion in 2019 as against TZS 19.43 billion in 2018 with a growth of over 14%.

This year marked the consolidation of your company's operations which has resulted in over 48.7% growth in Profit before Tax (PBT) to TZS 2.87 billion from TZS 1.91 billion in 2018 with good growth both in underwriting profit at 87% and investment income at 42%.There has been remarkable improvement in your company's financial strength and standing in the market.

The Net combined Operating Ratio (NCOR) which is one of the key parameters for measuring an insurance company's performance has improved from 85% in 2018 to 83% in 2019 which would be one of the best in the Industry and underlines company's continued position in the select band of one of the best performing profitable insurance companies in Tanzania which saw an average NCOR of 108% for the industry in 2018 as per official TIRA publication.

Chairman's Report Cont...

The various Operating Parameters/Ratios depicted in the subsequent pages of Annual Report and Audited Annual Financial Statements which follow this report bring out the performance of your company in full perspective.

b. New initiatives

Keeping in mind, its long term objective of being known as a reliable provider of cost effective insurance solutions with a focused customer centric approach to increase insurance penetration in line with the vision of government and regulator TIRA , the company took following important initiatives during 2019.

1. Expansion to Mwanza: With a view to reach out to customers in the Lake region, the company initiated the completion of regulatory formalities for opening a sales office in Mwanza. I am pleased to inform that the Mwanza sales office is now fully operational to serve our customers as I present this report.

2. Agri/micro-insurance and Bancassurance: Company has an expert on board in General Manager- Technical who is well versed in various aspects of agriculture insurance and micro-insurance products.

INDUSTRIAL RELATIONS

The company continued the tradition of maintaining very harmonious and cordial relationship with staff members and management with no grievance received from any quarter. The company follows strict principles to remain an equal opportunity employer without any discrimination based on caste, creed, gender, race or any handicap.

THE WAY FORWARD

Your company remains committed to position itself as a serious provider of affordable insurance solutions backed by its strong customer centric approach to fulfill the national goal of improving financial inclusion by expanding insurance penetration to far and wide corners of Tanzania.

The company aims to embrace technology in a big way by using internet platform to automate its operations to make service delivery prompter , objective and further streamline and improve the Turn Around Times (TATs). Company will be launching a range of new products to cater to SME/MSME sector by using the emerging channel of bancassurance.

Company reaffirms its commitment for local capacity building and empowerment through skill development and niche trainings for its human resources.

Chairman's Report Cont...

ACKNOWLEDGMENT

On behalf of the Board and my personal behalf, I express sincere thanks to Dr. M.C. Juma , Commissioner of Insurance, and his team at TIRA for their guidance and support to the Board and Management and for creating an enabling regulatory environment which has helped the company to achieve to achieve all round excellence in its performance.

I also put on record my thanks and appreciation to our esteemed clients, supporting brokers, agents, loss assessors, auditors suppliers and all other business associates who all have extended their full support in full measure and reposed confidence in the company and management and without whose support such an achievement would not have been possible.

My special thanks to our internal customers- the staff members and management team who have given their best to service the external customers which has helped the company to gain high level of customer confidence and support . I hope they will continue the devotion and dedication for continuous improvement in standards of customer care and service to further strengthen the position of Mayfair as a reliable and customer friendly insurer in the country.

Finally I express my profound thanks to shareholders and fellow Board of Directors for their proactive support and insights by sharing their valuable wisdom and experience in the Board for providing leadership and direction to the company.

With my best wishes for a successful 2020.

Jayesh G. Shah

CHAIRMAN

Dar Es Salaam

Directors Report

The directors have pleasure to present their report together with the audited financial statements for the year ended 31 December 2019, 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 tan-re house, 2nd floor, p. O. Box 38353 Dar es Salaam.

2. PRINCIPAL ACTIVITIES

The company is a licensed 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 is in 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 are 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**.** During the year the board met four times.

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;
- Board investment committee; and
- Executive committee (excom)

6. SHAREHOLDERS OF THE COMPANY

The shares of the company are held by the following shareholders:

- Mayfair Insurance Company Limited – Kenya
- Abbas Mohamed Jessa
- Andrea Limited
- Subhash Motibhai Patel
- Lakdawalla Investments Limited
- Anjay Vithlbhai Patel
- Harbinder S. Jandu & Kamalpal S. Jandu
- Gigvir Investments Limited
- Girdhar Pindoria
- Gaurav Pravin Shah
- Sujay Limited
- Jamdaba Limited
- Kasbo Holdings Limited
- Akberali A. Somji

7. MANAGEMENT STRUCTURE

The management of the company is under the Chief Executive Officer (CEO) and is organized in the following departments.

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

8. FUTURE DEVELOPMENT PLANS

The company has established its credentials as a serious long term player in the Tanzanian Insurance sector and remains committed to fulfill the expectations of the regulator and government to further improve insurance penetration and financial inclusion by bringing in innovative insurance solutions through optimally priced products backed by effective customer service and care. The company's key focus remains its customers. And the key strategies for the company's outreach during 2020 will be new products and geographical expansion, which include starting operations in Arusha and Mwanza.

9. PERFORMANCE OF THE YEAR

The results of the company are set out on page 14 of these financial statements. The directors 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 22.16 Billion. (2018: Tzs 19.4 Billion);
- The net earned premium was Tzs 10.72 Billion (2018: Tzs 7.9 Billion);
- The net claims incurred for the year ended 31 December 2019 was Tzs 4.1 Billion. (2018: Tzs 3.8 Billion);
- The administration expenses for the year were Tzs 4.7 Billion. (2018: Tzs 3.1 Billion);
- The company has registered a profit before tax of Tzs 2.87 Billion. (2018: Profit of Tzs 1.91 Billion).

Directors Report

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 2019 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. EMPLOYEES WELFARE

Management and employees relationship

Relationship between employees and management continued to remain good and harmonious for the year. There were no grievances received by management from the employees during the year. A healthy relationship continues to exist between management and staffs to achieve corporate goals and expectations.

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 about Tzs 3.2 Million (2018: Tzs 8.2 Million) for staff training in order to improve employees' technical skills and hence effectiveness to discharge the official responsibilities.

Training programs are continually being developed and conducted to ensure employees are adequately trained at all levels and all employees have some form of annual training to upgrade skills and enhance their technical knowledge.

Medical assistance

All members of staff and their spouse with a maximum number of four beneficiaries (Dependants) each were availed medical insurance cover for both outpatient and inpatient needs.

MAYFAIR INSURANCE

11. EMPLOYEES WELFARE (CONTINUED)

Employees benefit plan

The company makes contributions to NSSF and ZSSF on mandatory basis which qualifies to be a defined contribution plan.

The average number of employees during the year was 23 (2018: 20).

Group life insurance cover

The company provides for group life insurance cover to its permanent employees.

12. CORPORATE SOCIAL RESPONSIBILITY

The company encourages its employees' initiatives on participation in corporate social responsibility activities. During the year, the company undertook various corporate social responsibility activities including sponsoring awareness walk for autism and donation to orphanages amounting to over Tzs 6 million (2018: Tzs 9 million).

13. 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 2019 is set out on page 13 of these financial statements.

14. ADMINISTRATIVE MATTERS

The company is capable of handling all administrative matters.

15. 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	British
Mr. Vishal R. Patel	Kenyan
Mr. Abbas M. Jessa	Tanzanian
Mr. David A. Sawe	Tanzanian
Mr. William E. Erio	Tanzanian
Mr. Pawan S. Patel	Tanzanian
Mr. Darpan Pindolia	British

16. RELATED PARTY TRANSACTIONS

The details of related party balances and transactions are provided in note 24 to the financial statements.

Directors Report

17. 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

MR. JAYESH G. SHAH

CHAIRMAN

DATE: 31/03/2020

MR. DAVID A. SAWE

DIRECTOR

DATE: 31/03/2020

Statements of Directors Responsibilities

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 2019, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the 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 at least for the next twelve months from the date of approval of these financial statements.

BY ORDER OF THE BOARD

MR. JAYESH G. SHAH

CHAIRMAN

DATE: 31/03/2020

MR. DAVID A. SAWE

DIRECTOR

DATE: 31/03/2020

Declaration of the Head of Finance

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

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

I Charles M Sebastian being the Chief Finance Officer of Mayfair Insurance Tanzania Limited hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2019, 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: CPA Charles M. Sebastian

Position: Chief Finance Officer

NBAA Membership No: GA 2149

Date: 31/03/2020

Independent Auditors Report to the shareholders.

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 52 which comprise the statement of financial position as at 31 December 2019, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and 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 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act, 2002.

Basis for Opinion

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

Other matter relating to the impact of uncertainties due to the Covid-19 on our audit

As disclosed in Note 30 to the financial statements, Covid-19 affects the Company and results in certain uncertainties for the future financial position and performance of the Company. Uncertainties related to the potential effects of Covid-19 are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the Company, the related disclosures and the appropriateness of the going concern assumption in the financial statements. The appropriateness of the going concern assumption depends on assessment of the future economic environment and the Company's future prospects and performance. The Covid-19 pandemic is an unprecedented challenge for humanity and for the economy globally, and at the date of this report its effects are subject to levels of uncertainty. An audit cannot predict the unknowable factors or all possible future implications for the Company and this is particularly the case in relation to Covid 19.

Key Audit Matters

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

Report on the Audit of the Financial Statements (continued)

Key audit matters (continued)

Key audit matter	How the matter was addressed in our audit
Insurance contract liabilities Refer to Note 14 to the financial statements on page 34 and note 4 (a)	
Insurance contract liabilities constitute 85% 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 judgment is used to assess the extent to which past trends may not apply in future (for example to reflect one-off occurrences, changes in external or market factors such as public attitudes to 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 judgements, assumptions and estimates above, we have determined insurance contract liabilities to be a key audit matter.	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. • We re-performed reconciliations between the claims data recorded by the Company and the data used in the IBNR reserving calculations. • We re-computed the IBNR and compared to the one computed by management to evaluate the appropriateness of the reserves booked. • We checked the past trends of the claims by comparing prior years incurred claims but reported in the current year and compared with the IBNR provision in prior year. • We evaluated the adequacy of disclosures in the financial statements, including disclosures for key judgments and estimates related to insurance contract liabilities.

Independent Auditors Report to the shareholders.

MAYFAIR INSURANCE

Report on the Audit of the Financial Statements (continued)

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, the *Declaration of the Head of Finance and the Appendices relating the revenue account* but 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.

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.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken 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.

MAYFAIR INSURANCE

Independent Auditors Report to the shareholders.

Report on the Audit of the Financial Statements (continued)

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

- 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.

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

Report on Other Legal and Regulatory Requirements

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

- in our opinion, proper accounting records have been kept by 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)

KPMG

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

Date:...01...April........ 2020

Statement of Financial Position

	Notes	2019 TZS'000	2018 TZS'000
Assets			
Property and equipment	6	**815,770**	237,562
Intangible assets	7	**427,719**	169,065
Deferred acquisition cost	8	**1,641,108**	1,658,953
Investment in government securities	9	**3,958,840**	2,768,666
Deposits with financial institutions	10	**12,384,368**	11,336,385
Reinsurers' share of technical provisions and reserves	11	**25,501,023**	26,986,687
Insurance receivables	12	**2,653,462**	2,002,973
Other receivables	13	**61,596**	17,838
Deferred tax	25 (b)	**481,457**	71,027
Income tax receivable	25 (a)(ii)	-	264,273
Cash and bank balances	23	**5,058**	247,297
Total assets		**47,930,401**	**45,760,726**
Liabilities			
Insurance contract liabilities	14	**34,386,621**	35,838,099
Payables arising from reinsurance arrangements	15	**2,594,460**	2,713,406
Other payables	16	**3,271,888**	1,891,204
Income tax payable	25 (a)(ii)	**200,738**	-
Total liabilities		**40,453,707**	**40,442,709**
Net assets		**7,476,694**	**5,318,017**
Shareholders' equity			
Share capital	17	**4,000,000**	4,000,000
Retained earnings		**1,538,128**	44,251
Capital and contingency reserves		**1,938,566**	1,273,766
Total shareholders' equity		**7,476,694**	**5,318,017**

The financial statements on pages 13 to 52 were approved and authorised for issue by the Board of Directors on ……31-03-202………2020 and were signed on its behalf by:

MR. JAYESH G. SHAH
CHAIRMAN

MR. DAVID A. SAWE
DIRECTOR

Notes and related statements forming part of these financial statements appear on pages 17 to 52.

Report of the Auditors – pages 9 to 12.

MAYFAIR INSURANCE

Statement of Profit or Loss and other comprehensive income

	Notes	2019 TZS'000	2018 TZS'000
Gross written premium	18	**22,160,007**	19,434,126
Premium ceded to re-insurers		**(11,529,978)**	(10,080,202)
Net written premium		**10,630,029**	**9,353,924**
Change in gross unearned premium provision	14	**32,099**	(2,519,114)
Re-insurers' share of technical provisions and reserves (change in earned premium)	11	**62,565**	1,141,515
Net unearned premium		**94,664**	**(1,377,599)**
Net insurance premium revenue		**10,724,693**	**7,976,325**
Commission income		**3,219,730**	2,934,602
Investment income	19	**1,232,133**	865,028
Other income		**1,188**	178,270
Net income		**15,177,744**	**11,954,225**
Insurance claims	20	**(10,493,368)**	(26,022,130)
Re-insurers' share of claims and benefits incurred	20	**6,401,471**	22,186,842
Net insurance claims		**(4,091,897)**	**(3,835,288)**
Acquisition costs	21	**(3,495,290)**	(3,106,139)
Administrative expenses	22	**(4,721,277)**	(3,098,969)
		(8,216,567)	**(6,205,108)**
Profit before taxation		**2,869,280**	**1,913,829**
Taxation expense	25(a) (i)	**(710,603)**	(578,859)
Profit for the year		**2,158,677**	**1,334,970**
Other comprehensive income		**-**	-
Total comprehensive income for the year		**2,158,677**	**1,334,970**

Notes and related statements forming part of these financial statements appear on pages 17 to 52.

Report of the Auditors – pages 9 to 12.

Statement of Changes in Equity

	Share capital	Contingency reserves	Retained earnings	Total
	TZS'000	TZS'000	TZS'000	TZS'000
Balance as at 1 January 2018	4,000,000	690,742	(707,695)	3,983,047
Profit for the year	-	-	1,334,970	1,334,970
Transfer to contingency reserves *	-	583,024	(583,024)	-
Balance as at 31 December 2018	**4,000,000**	**1,273,766**	**44,251**	**5,318,017**
Balance as at 1 January 2019	**4,000,000**	**1,273,766**	**44,251**	**5,318,017**
Profit for the year	**-**	**-**	**2,158,677**	**2,158,677**
Transfer to contingency reserves *	**-**	**664,800**	**(664,800)**	**-**
Balance as at 31 December 2019	**4,000,000**	**1,938,566**	**1,538,128**	**7,476,694**

*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 52.

Report of the Auditors – pages 9 to 12.

Statement of Cash Flow

MAYFAIR INSURANCE

	Notes	2019 TZS'000	2018 TZS'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**2,869,280**	1,913,829
Adjustments for:			
- Provision charge for bad debts	12	**57,079**	29,283
- Depreciation	6	**247,815**	104,383
- Amortisation	7	**106,930**	83,013
- Gain on disposal of property and equipment		**(2,001)**	-
- Interest on lease liability		**42,377**	-
Operating Profit before working capital changes		**3,321,480**	**2,130,508**
Changes in:			
- Insurance contract liabilities	14	**(1,451,478)**	24,871,611
- Receivables arising out of direct insurance arrangements	12	**(330,136)**	(898,630)
- Receivables arising out of reinsurance arrangements	12	**(377,432)**	105,582
- Reinsurer's share of technical provision and reserves	11	**1,485,664**	(21,608,915)
- Other receivables	13	**(43,758)**	(2,711)
- Payables arising out of reinsurance arrangements	15	**(118,946)**	(990,198)
- Other payables	16	**779,973**	670,506
- Deferred acquisition cost	21	**17,844**	(271,783)
Cash generated from operating activities		**3,283,211**	**4,005,970**
Payment of lease liability interest		**(42,377)**	-
Income tax paid	25 (a) (i)	**(656,022)**	(887,439)
Net cash generated from operating activities		**2,584,812**	**3,118,531**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property and equipment	6	**4,356**	-
Acquisition of items of property and equipment	7	**(121,908)**	(32,150)
Acquisition of intangible asset	9	**(365,584)**	(71,692)
Investment in government securities	10	**(1,190,174)**	(1,591,631)
Proceeds from / (Investment in) deposits with financial institutions		**832,004**	(883,520)
Net cash used in investing activities		**(841,306)**	**(2,578,993)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liability principal		**(105,758)**	-
Net increase in cash and cash equivalents		**1,637,748**	**539,538**
Movement in cash and cash equivalents during the year is as follows:			
Cash and cash equivalents as at 1 January		**3,391,976**	**2,852,438**
Cash and cash equivalents at 31 December	23	**5,029,724**	**3,391,976**

Notes and related statements forming part of these financial statements appear on pages 17 to 52.
Report of the Auditors – Pages 9 to 1

1. REPORTING ENTITY

Mayfair Insurance Tanzania Limited is a Company domiciled in Tanzania. The financial statements of the Company are for the year ended 31 December 2019. 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 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 5.

(c) Functional and presentation currency

These financial statements are presented in Tanzanian shillings (TZS), 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 judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are 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 year ended 31 December 2019 is included in the following notes:

— Note 4(ii) and Note 14 – IBNR provision: key assumptions underlying provisions for losses not reported;

— Note 25 – recognition of deferred tax assets: availability of future taxable profit against which tax losses carried forward can be used.

Notes (Continued)

Notes to the Financial Statements

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

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

IFRS 16 introduced a single, on-balance sheet accounting model for leases. As a result, the Company, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Company has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated- i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

Definition of a lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 determining whether and arrangement contains a lease. The Company now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right of control the use of an identified asset for a period of time in exchange for consideration.

Previously, the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4 Determining whether an arrangement contains a lease. The Company now assesses whether a contract is or contains a lease based on the definition of a lease.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee

The Company leases buildings for office space.

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Company recognises right of use assets and lease liabilities for most leases- i.e. these leases are on-balance sheet.

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

On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 January 2019.

Right-of-use assets are measured at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application.

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As a lessee (Continued)

The Company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Company:

— relied on its assessment of whether leases are onerous under IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review;
— did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
— did not recognise right-of-use assets and liabilities for leases of low-value assets
— excluded initial direct costs from measuring the "right-of-use asset" at the date of initial application; and
— used hindsight when determining the lease term.

The Company has elected not to recognise "right-of-use assets" and liabilities for some leases of low-value assets. The Company recognises the lease payment associated with these leases as an expense on a straight line basis over the lease term.

As a lessor

The Company is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor.

Significant accounting policies

The Company recognises a right of use asset and lease liability at the lease commencement date. The right-of-use asset is initially measure at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain re-measurements of the lease liability. When a right of use asset meets the definition of investment property it is presented in investment property. The right of use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Company's accounting policies.

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

The lease liability subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to the exercised or a termination option is reasonable certain not to be exercised.

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

MAYFAIR INSURANCE

Notes (Continued)

Notes to the Financial Statements

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (Continued)

Previously, the Company classified its leases as operating leases under IAS 17. The leases typically run for a period of 3-5 years. Some leases include an option to renew the lease for an additional years after the end of the non-cancellable period.

For finance leases the carrying amount of the right of use asset and lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

Impact on financial statements

- **Impact on transition**

On transition to IFRS 16, the Company recognized right-of-use assets and lease liabilities with no impact in retained earnings.

The impact on transition is summarised below;

	1 January 2019
	TZS'000
Assets	
Right of use asset	**706,470**
Liabilities	
Lease liabilities	**706,470**

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied is 6.5% (All lease contracts are in USD).

	1 January 2019
	TZS'000
Operating lease commitments at 31 December 2018 as disclosed under IAS 17 in the financial statements	**899,795**
Discounted using the incremental borrowing rate at 1 January 2019	717,452
Recognition exemption for leases of low-value assets	(10,982)
Lease liabilities	**706,470**

- **Impact for the period**

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Company recognised TZS 565 million of Right-of-Use assets disclosed within property and equipment (Note 6) and TZS 601 million of lease liabilities (Note 26) as at 31 December 2019.

Also in relation to those leases under IFRS 16, the Company has recognised depreciation and interest costs, instead of operating lease expense. During the year ended 31 December 2019, the Company recognised TZS 141 million of depreciation charges on the Right-of-Use assets and TZS 42 million of interest costs from these leases.

Notes (Continued)

Notes to the Financial Statements

4. 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.

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 $1/24^{th}$ method, 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.

4. 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) calculated at the rate of 20% of the outstanding claims, as prescribed in Insurance Regulations 22 (b) & (c) under the Insurance Act 2009.

(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 (h)).

(a) Revenue

The accounting policy in relation to revenue from insurance contracts is disclosed in note 4(a). Fees and commission income which includes commission earned on reinsurance are recognised on an accruals basis.

(b) Financial Instruments

The Company deferred application of IFRS 9 Financial instrument until 1 January 2023 where it will apply the standard together with IFRS 17 Insurance contracts. As such the Company still applies IAS 39.

i) Initial 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial Instruments (continued)

i) Initial recognition (continued)

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.

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) Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss
Financial assets at fair value through statement of changes in net assets include financial assets designated upon initial recognition at fair value through statement of changes in net assets. Financial assets at fair value through statement of changes in net assets are carried in the statement of financial position at fair value with changes in fair value recognised in profit/loss.

Financial assets at fair value through other comprehensive income
Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognised in OCI. Dividends earned whilst holding the available-for-sale assets are recognised in statement of profit or loss as other income when the right of payment has been established.

Financial assets held for trading
Financial assets held for trading include securities held for trading which are equity investments by fund managers. Financial assets held for trading are carried at fair value with changes in fair value recognised in statement of profit and loss and not OCI.

(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 de-recognition 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.

Notes (Continued)

Notes to the Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) **Financial Instruments (continued)**

(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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) **Financial Instruments (continued)**

(v) Fair value measurement (Continued)

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.

(d) **Property and equipment**

i) **Recognition and measurement**

Items of property 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 property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

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

ii) **Subsequent costs**

The cost of replacing part of an item of property 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 property and equipment are recognised in profit or loss as incurred.

Notes (Continued)

Notes to the Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property and equipment (Continued)

i) 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 property and equipment. Depreciation is charged on an annual basis as follows:

• Motor vehicles	5 years
• Computer equipment	3 years
• Furniture, fixtures, fittings and equipment	6 years

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

(e) Intangible assets

i) Recognition and measurement

Intangible assets comprise the cost of acquired computer software. Expenditure on acquired computer software is capitalised and measured at cost less accumulated amortization and any accumulated impairment losses.

ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

iii) Amortization

Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Current intangible assets are amortised at the rate of 33.3% per annum.

iv) Impairment of assets

The carrying amount of the Company's intangible assets is reviewed at end of each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated and an impairment loss recognised in the profit or loss whenever the carrying value of the asset exceeds its recoverable amount.

(f) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) 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").

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.

Notes (Continued)

Notes to the Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment (Continued)

ii) Non-financial assets (Continued)

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.

(h) 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.

(i) Dividends

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

(j) 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.

(k) 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) **Employees benefits**

i) **Retirement benefits**

The Company makes statutory Contributions to the National Social Security Fund (NSSF) and the Public Service Social Security Fund (PSSSF). The Company's obligations in respect of contributions to such funds are 10% of the employee basic salary in respect of PSSSF 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.

(m) **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.

(n) **Contingency reserve**

The statutory reserve represents capital and contingency reserve.

A contingency reserve is created in line with Insurance Regulations 27(1) under the Insurance Act 2009. The regulations requires an insurer to establish a contingency reserve into which a transfer representing the greater of 3% of the net premium written or 20% of the net results is made each year until the reserve reaches the greater of the minimum paid up capital or 50% of the net premium written.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) New standards, amendments and interpretations

(ii) New standards, amendments and interpretations in issue but not yet effective

At the date of authorisation of the financial statements for the year ended 31 December 2019, the following relevant Standards and interpretations were in issue but not yet effective:

New standard or amendments	Effective for annual periods beginning on or after
• IFRS 17 Insurance Contracts	1 January 2023
• Conceptual Framework amendments*: Amendments to References to Conceptual Framework in IFRS Standards*	1 January 2020
• Definition of Material: *Amendments to IAS 1 and IAS 8*	1 January 2020

The Company does not plan to adopt these standards before their initial application dates.

IFRS 17 Insurance Contracts

IFRS 17 supersedes IFRS 4 Insurance Contracts and aims to increase comparability and transparency about profitability. The new standard introduces a new comprehensive model ("general model") for the recognition and measurement of liabilities arising from insurance contracts. In addition, it includes a simplified approach and modifications to the general measurement model that can be applied in certain circumstances and to specific contracts, such as:

- Reinsurance contracts held;
- Direct participating contracts; and
- Investment contracts with discretionary participation features.

Under the new standard, investment components are excluded from insurance revenue and service expenses.

Entities can also choose to present the effect of changes in discount rates and other financial risks in profit or loss or OCI. The new standard includes various new disclosures and requires additional granularity in disclosures to assist users to assess the effects of insurance contracts on the entity's financial statements.

The Company is in the process of determining the impact of IFRS 17 and will provide more detailed disclosure on the impact in future financial statements.

The standard is effective for annual periods beginning on or after 1 January 2023. Early adoption is permitted.

The other standards that are not yet effective are not expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

Amendments to References to Conceptual Framework in IFRS Standards

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) New standards, amendments and interpretations (continued)

ii. New standards, amendments and interpretations in issue but not yet effective (Continued)

Amendments to References to Conceptual Framework in IFRS Standards (Continued)

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

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

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

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

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

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

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

5. 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.

(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.

Notes (Continued)

Notes to the Financial Statements

6. PROPERTY AND EQUIPMENT

	Motor vehicles TZS'000	Computer equipment TZS'000	Furniture, fittings & office equipment TZS'000	Leasehold buildings* TZS'000	Total TZS'000
Cost					
At 1 January 2018	50,300	108,405	324,755	-	483,460
Additions	2,430	22,855	6,865	-	32,150
At 31 December 2018	**52,730**	**131,260**	**331,620**	-	**515,610**
At 1 January 2019	**52,730**	**131,260**	**331,620**	**-**	**515,610**
Recognition of right-of-use asset on initial application of IFRS 16	**-**	**-**	**-**	**706,470**	**706,470**
Additions	**13,700**	**21,436**	**86,772**	**-**	**121,908**
Disposals	**-**	**(4,975)**	**-**	**-**	**(4,975)**
At 31 December 2019	**66,430**	**147,721**	**418,392**	**706,470**	**1,339,013**
Depreciation					
At 1 January 2018	17,017	50,492	106,156	-	173,665
Charge for the year	10,505	39,314	54,564	-	104,383
At 31 December 2018	**27,522**	**89,806**	**160,720**	-	**278,048**
At 1 January 2019	**27,522**	**89,806**	**160,720**	**-**	**278,048**
Charge for the year	**11,459**	**33,298**	**61,764**	**141,294**	**247,815**
Disposal	**-**	**(2,620)**	**-**	**-**	**(2,620)**
At 31 December 2019	**38,981**	**120,484**	**222,484**	**141,294**	**523,243**
Net book value					
At 31 December 2018	**25,208**	**41,454**	**170,900**	**-**	**237,562**
At 31 December 2019	**27,449**	**27,237**	**195,908**	**565,176**	**815,770**

* Leasehold buildings relate to the Right-of-Use asset following initial application of IFRS 16 on 1 January 2019. Depreciation charge for the year is made up of TZS 141,294,000 relating to this Right-of-Use asset and TZS 106,521,000 relating to other classes of property and equipment.

7. INTANGIBLE ASSETS

	2019 TZS'000	2018 TZS'000
Cost		
At 1 January	**281,417**	209,725
Additions	**365,584**	71,692
At 31 December	**647,001**	**281,417**
Amortisation		
At 1 January	**(112,352)**	(29,339)
Amortisation charge	**(106,930)**	(83,013)
At 31 December	**(219,282)**	**(112,352)**
Net book value	**427,719**	**169,065**

Notes (Continued)

Notes to the Financial Statements

8. DEFERRED ACQUISITION COST

	2019 TZS'000	2018 TZS'000
At 1 January	**1,658,953**	1,387,170
Deferred acquisition costs for the year (Note 21)	**(17,845)**	271,783
At 31 December	**1,641,108**	**1,658,953**

9. INVESTMENT IN GOVERNMENT SECURITIES

	2019 TZS'000	2018 TZS'000
Treasury bonds	**3,958,840**	2,768,666
	3,958,840	**2,768,666**
Maturity analysis:	**3,958,840**	2,768,666
Over one year	**3,958,840**	**2,768,666**

10. DEPOSITS WITH FINANCIAL INSTITUTIONS

	2019 TZS'000	2018 TZS'000
Call deposit accounts	**2,299,999**	761,653
Fixed deposit accounts	**10,084,369**	10,574,732
	12,384,368	**11,336,385**
Maturity analysis:		
Within 90 days (Note 23)	**5,024,666**	3,144,679
Over 90 days but within a year	**7,359,702**	8,191,706
	12,384,368	**11,336,385**

11. REINSURERS' SHARE OF TECHNICAL PROVISIONS AND RESERVES

	2019 TZS'000	2018 TZS'000
Unearned premium	**5,306,821**	5,244,256
Claims outstanding	**21,703,083**	23,309,488
Unearned reinsurance commission	**(1,508,881)**	(1,567,057)
	25,501,023	**26,986,687**

12. INSURANCE RECEIVABLES

	2019 TZS'000	2018 TZS'000
Receivables arising out of direct insurance arrangements:		
Direct clients	**195,864**	45,412
Agents and brokers	**1,372,896**	1,193,212
Less: Provision for impairment	**(255,501)**	(198,422)
	1,313,259	**1,040,202**
Receivables arising out of reinsurance arrangement	**1,340,203**	962,771
	2,653,462	**2,002,973**

Notes (Continued)

Notes to the Financial Statements

13. OTHER RECEIVABLES

	2019 TZS'000	2018 TZS'000
Staff debtors	**19,102**	4,590
Prepayments and sundry debtors	**42,494**	13,248
	61,596	**17,838**

14. INSURANCE CONTRACT LIABILITIES

	2019 TZS'000	2018 TZS'000
Gross unearned premium provision	**9,703,186**	9,735,285
Gross outstanding claims provision	**20,569,529**	21,752,345
Gross IBNR provision	**4,113,906**	4,350,469
	34,386,621	**35,838,099**
Change in gross unearned premium provision		
Balance at 1 January	**(9,735,285)**	(7,216,171)
Gross unearned premium at 31 December	**9,703,186**	9,735,285
	(32,099)	**2,519,114**

15. PAYABLES ARISING FROM REINSURANCE ARRANGEMENTS

	2019 TZS'000	2018 TZS'000
Payable to re-insurers	**2,604,272**	2,662,220
Payable to insurers	**(9,812)**	51,186
	2,594,460	**2,713,406**

16. OTHER PAYABLES

	2019 TZS'000	2018 TZS'000
Sundry creditors	**2,331,059**	1,250,536
Output VAT and withholding taxes	**235,457**	536,773
Provision for audit fees	**32,650**	32,650
Statutory deductions	**2,361**	1,596
Leave pay provision liability	**69,649**	69,649
Lease liability	**600,712**	-
	3,271,888	**1,891,204**

17. SHARE CAPITAL

	2019 TZS'000	2018 TZS'000
Authorised:		
8,000,000 ordinary shares with a par values of TZS 1,000 per share	**8,000,000**	**8,000,000**
Issued and fully paid up:		
4,000,000 ordinary shares of TZS 1,000 each	**4,000,000**	**4,000,000**

MAYFAIR INSURANCE

Notes (Continued)

Notes to the Financial Statements

18. GROSS WRITTEN PREMIUM

	2019 TZS'000	2018 TZS'000
Fire	**6,350,086**	5,666,525
Motor	**9,575,379**	8,437,833
Accident	**249,473**	266,427
Workmen compensation	**114,905**	76,653
Liability	**290,206**	475,264
Bond and fidelity guarantee	**1,195,744**	1,014,675
Marine	**2,399,508**	1,613,268
Engineering	**1,272,640**	1,284,356
Miscellaneous	**712,066**	599,125
	22,160,007	**19,434,126**

19. INVESTMENT INCOME

Interest income from deposits with financial institutions	**660,881**	648,608
Interest income from investments in government securities	**571,252**	216,420
	1,232,133	**865,028**

20. INSURANCE CLAIMS

Gross claims paid	**11,645,020**	9,149,026
Change in gross claims outstanding	**(1,648,378)**	18,407,542
IBNR	**496,726**	465,562
Total gross claims	**10,493,368**	**26,022,130**
Reinsurance share of paid claims	**7,740,103**	4,789,876
Change in reinsurance share of outstanding claims	**(1,338,632)**	17,396,966
Total claims recovery	**6,401,471**	**22,186,842**
Incurred Claims	**4,091,897**	**3,835,288**

21. ACQUISITION COSTS

Commission expense	**3,477,445**	3,377,922
Movement in deferred acquisition costs (Note 8)	**17,845**	(271,783)
	3,495,290	**3,106,139**

22. ADMINISTRATIVE EXPENSES

Profit before taxation and reserve transfers is stated after charging:

Staff costs	**1,691,825**	1,251,272
Directors remuneration (Note 24)	**142,083**	80,441
Auditors remuneration	**79,489**	39,368
Depreciation	**247,820**	104,383
Amortization	**106,930**	83,013
Provision for bad debts	**57,079**	29,282
Premium taxes, levies and licenses	**294,164**	252,281
Other expenses	**2,101,887**	1,258,929
	4,721,277	**3,098,969**

Notes (Continued)

23. CASH AND CASH EQUIVALENTS

	2019	2018
	TZS'000	TZS'000
For the purpose of the statement of cash flows, cash and cash equivalents comprise of the following:		
Cash and bank balances	**5,058**	247,297
Deposits with financial institutions maturing within 90 days	**5,024,666**	3,144,679
	5,029,724	**3,391,976**

24. 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 and they give rise to amounts due from related parties as shown below.

(b) Business from companies related to directors (due from related parties)

	2019	2018
	TZS'000	TZS'000
Insurance premiums	**2,831,936**	**3,702,834**

c. Directors' remuneration

Remuneration paid to directors during the year was as follows:		
Directors fees	119,072	54,957
Travel, accommodation and allowances	23,011	25,484
	142,083	**80,441**

d. Key management personnel remuneration

Salaries and other short-term benefits	**839,077**	**546,452**

Notes (Continued)

MAYFAIR INSURANCE

25. TAXATION

	2019 TZS'000	2018 TZS'000
i. Income tax expense		
Current tax charge	**1,121,033**	596,839
Deferred tax charge (Note 25 (b))	**(410,430)**	(17,980)
	710,603	**578,859**
(ii) Income tax (payable) / receivable		
Balance at 1 January	**264,273**	(26,327)
Tax charge for the period	**(1,121,033)**	(596,839)
Tax payments during the year	**656,022**	887,439
Balance at 31 December	**(200,738)**	**264,273**

(a) **Deferred tax asset**

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

2019	Balance at 1 January TZS'000	Recognized in profit or loss TZS'000	Balance at 31 December TZS'000
Accelerated depreciation for tax purposes	**(1,992)**	**(23,114)**	**(25,106)**
General provision	**73,019**	**433,544**	**506,563**
	71,027	**410,430**	**481,457**

2018	Balance at 1 January TZS'000	Recognized in profit or loss TZS'000	Balance at 31 December TZS'000
Accelerated depreciation for tax purposes	(10,497)	8,505	(1,992)
General provision	63,544	9,475	73,019
	53,047	**17,980**	**71,027**

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

26. LEASES

The Company has lease contracts for various buildings used for office operations. Leases of buildings generally have lease terms between 2 and 5 years and include extension and termination options.

Previously, these leases were classified as operating leases under IAS 17. Information about leases for which the Company is a lessee is presented below.

i. Right-of-use assets

Right-of-use assets relate to leased office spaces that are presented within property and equipment as leasehold buildings (see Note 6).

Notes (Continued)

MAYFAIR INSURANCE

26. LEASES (CONTINUED)

i. Right-of-use assets (continued)

	TZS'000
Balance at 1 January 2019	706,470
Depreciation charge for the year	(141,294)
Balance at 31 December 2019	**565,176**

Maturity analysis – Contractual undiscounted cash flows

See Note 27 (d) for maturity analysis of lease liabilities as at 31 December 2019.

At 31 December 2018, the future minimum lease payments under non-cancellable leases were payable as follows.

Operating lease commitments -31 December 2018

Less than one year	159,117
Between one and five years	740,678
Total undiscounted lease commitments	**899,795**

ii. Lease liabilities

	2019 TZS'000
Balance at 1 January	-
Recognition of lease liability on initial application of IFRS 16	706,470
Payments	(148,135)
Finance cost	42,377
Balance at 31 December	**600,712**

Lease liability are presented within other payables, see Note 16.

iii. Amounts recognised in profit or loss

Leases under IFRS 16

Interest on lease liabilities	**42,377**

iv. Amounts recognised in statement of cash flows

Total cash outflow for leases

Payment of lease liability principle	105,758
Interest on lease liabilities	42,377
	148,135

1. Extension options

Leases of office spaces contain extension options exercisable by the Company. The extension options held are exercisable only by the Company and not by the lessors. The Company assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

Notes (Continued)

MAYFAIR INSURANCE

27. 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.

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.

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.

Notes (Continued)

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

(a) **Insurance risk (continued)**

iii) Concentration of insurance liabilities (continued)

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.

2019	**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	2,234,126	4,485,303	2,855,950	9,575,379
Net	2,063,245	3,772,477	1,783,709	7,619,430
Accident gross	1,010	25,171	218,256	244,436
Net	1,639	21,058	126,121	148,818
Marine gross	183,470	557,420	1,658,617	2,399,508
Net	52,643	494,409	950,517	1,497,569
Fire gross	149	192,625	6,157,312	6,350,086
Net	232	122,199	754,147	878,577
Engineering gross	2,301	35,984	1,234,355	1,272,640
Net	1,719	30,718	433,968	466,405
Others	30,041	551,370	1,736,547	2,317,958
Net	23,293	374,610	348,977	746,881
Total gross premium	2,448,796	5,811,889	12,626,682	22,160,007
Total net premium (inclusive of re-insurer's share TZS 725,652 million)	2,142,771	4,815,472	4,397,439	11,355,681

Notes (Continued)

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

(a) **Insurance risk (Continued)**

iii) Concentration of insurance liabilities (Continued)

2018	**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	1,968714	3,952,453	2,516,666	8,437,833
Net	1,799,573	3,290,374	1,555,760	6,645,707
Accident gross	1,101	27,435	237,892	266,427
Net	994	24,903	64,366	90,263
Marine gross	123,353	374,772	1,115,143	1,613,268
Net	28,709	269,628	518,367	816,705
Fire gross	133	171,890	5,494,502	5,666,525
Net	277	146,006	901,071	1,047,354
Engineering gross	2,322	36,315	1,245,719	1,284,356
Net	2,104	33,060	325,789	360,953
Others	28,068	515,157	1,622,493	2,165,718
Net	22,085	355,175	330,872	708,132
Total gross premium	**2,121,368**	**5,041,707**	**10,986,695**	**19,434,126**
Total net premium (inclusive of re- insurer's share TZS 1.195 billion)	**1,853,741**	**4,119,146**	**3,696,226**	**9,669,113**

(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.

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

(b) Financial risk (Continued)

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.

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 2019 is the carrying value of the financial assets in the statement of financial position.

There was no collateral held in respect of the financial assets in the 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 / IFRS 9, 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.

Notes (Continued)

MAYFAIR INSURANCE

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

(c) Credit risk (Continued)

	2019		2018	
	Loans & receivables	Exposure to credit risk	Loans & receivables TZS'000	Exposure to credit risk TZS'000
Deposit with financial Institutions	**7,359,702**	**7,359,702**	8,191,707	8,191,707
Investments in government securities	**3,958,840**	**-**	2,768,666	-
Cash and cash equivalent	**5,029,724**	**5,029,724**	3,391,976	3,391,976
Receivable arising from reinsurance arrangements	**1,340,203**	**1,340,203**	962,771	962,771
Receivables arising from direct insurance arrangement	**1,313,259**	**1,313,259**	1,040,202	965,547
Re-insurers' share of insurance liabilities	**25,501,023**	**25,501,023**	26,986,687	26,986,687
Deferred acquisition cost	**1,641,108**	**1,641,108**	1,658,953	1,658,953
Other receivables	**19,102**	**19,102**	4,590	4,590
	46,162,960	**42,204,121**	**45,005,551**	**42,162,231**

(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.

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:

2019	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	34,386,621	-	13,278,388	21,108,233	-
Insurance contract liabilities	2,594,460	-	1,159,911	1,434,549	-
Other payables	2,531,211	-	2,292,718	90,358	-
Lease liability (Undiscounted)	740,677	-	-	148,135	592,542
	40,252,969	-	16,731,017	22,781,275	592,542

MAYFAIR INSURANCE

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

(d) Liquidity risk (Continued)

2018	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	35,838,099	-	8,066,011	27,772,088	-
Insurance contract liabilities	2,713,406	-	1,686,268	1,027,138	-
Other payables	1,891,204	-	1,353,076	538,128	-
	40,442,709	**-**	**11,105,355**	**29,337,354**	**-**

(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.

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.

At 31 December 2019, if the interest rate were to increase or decrease by 5% with all the other variables held constant, the impact on the pre-tax profit for the year would have been lower or higher by TZS 710 million (2018: TZS 548 million).This is mainly attributable to the Company's exposure to interest rates on its interest bearing financial assets and liabilities.

Notes (Continued)

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

(e) Market risks (Continued)

(i) Interest rate risk (Continued)

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

2019	On demand	Due between 3 and 12 months	Due between 1and 5 years	Non interest bearing	Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Assets					
Investments in government securities	-	-	3,958,840	-	3,958,840
Deposits with financial Institutions	-	12,384,368	-	-	12,384,368
Reinsures' share of technical provisions and reserves	-	25,501,023	-	-	25,501,023
Other receivables	61,596	-	-	-	61,596
Insurance receivables	-	2,653,462	-	-	2,653,462
Cash and bank balances	5,058	-	-	-	5,058
	66,653	40,538,853	3,958,840	-	44,564,346
Liabilities					
Insurance contract liabilities	-	34,386,621	-	-	34,386,621
Payables arising from reinsurance arrangements	-	2,594,460	-	-	2,594,460
Other payables	-	2,671,176	-	-	2,671,176
Lease liability (Undiscounted)	-	148,135	592,542	-	740,677
	-	39,800,392	592,542	-	40,392,934
Interest sensitivity gap	66,653	738,461	3,366,298	-	4,171,412

MAYFAIR INSURANCE

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

(e) Market risks (Continued)

(i) Interest rate risk (Continued)

2018	On demand	Due between 3 and 12 months	Due between 1and 5 years	Non-interest bearing	Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Assets					
Investments in government securities	-	-	2,768,666	-	2,768,666
Deposits with financial Institutions	3,144,679	8,191,706	-	-	11,336,385
Reinsures' share of technical provisions and reserves	-	-	-	26,986,687	26,986,687
Other receivables	-	-	-	17,838	17,838
Insurance receivables	-	-	-	2,002,973	2,002,973
Cash and bank balances	247,297	-	-	-	247,297
	3,391,976	**8,191,706**	**2,768,666**	**29,007,498**	**43,359,846**
Liabilities					
Insurance contract liabilities	-	-	-	35,838,099	35,838,099
Payables arising from reinsurance arrangements	-	-	-	2,713,406	2,713,406
Other payables	-	-	-	1,891,204	1,891,204
	-	-	-	**40,442,709**	**40,442,709**
Interest sensitivity gap	**3,391,976**	**8,191,706**	**2,768,666**	**(11,435,211)**	**2,917,138**

(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.

Notes (Continued)

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

(e) Market risks (Continued)

(ii) **Currency risk (Continued)**

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

	2019 TZS'000	2018 TZS'000
Bank balances	**5,058**	247,297
Deposit with financial institutions	**16,343,201**	14,105,051
Receivables	**2,653,462**	2,002,973
Payables	**(9,167,439)**	(7,397,982)
	9,834,282	**8,957,339**

A sensitivity analysis in relation to net exposure for a 10% strengthening of the USD against TZS

Increase/(decrease) in equity	**983,428**	**895,734**
Increase/(decrease) in profit or loss	**983,428**	**895,734**

The following significant exchange rates applied during the year:

	Average rate	Closing rate
US Dollar	2,288.04	2,261.72

(iii) **Weighted average effective interest rates**

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

	2019 %	2018 %
Government securities	**11.52**	11.48
Deposits with financial institutions (TZS)	**9.44**	8.59
Deposits with financial institutions (US$)	**4.14**	4.04

(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.

During the year the return on capital employed was 53.97% (2018:32%). 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.

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

(f) 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 2019.

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.

(g) 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 2.116 billion times the lesser of 1.03 and the ratio of current year to prior year Consumer Price Index (CPI), i.e. TZS 2,116,012,188 and maintain a solvency margin, (i.e. admitted assets less total liabilities) of the greater of TZS 1,085million and 20% of net premiums written, i.e. TZS 10,630,029,000 for the year ended 31 December 2019 (2018: TZS 9,353,924,000)

The Company's paid up share capital at 31 December 2019 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.

In order to comply with the Insurance Act 2009 and its regulations, the Company has transferred a total of TZS 664,800,000 (2018: TZS 583,024,000) to the contingency reserve.

As at 31 December 2019, the Company's total admissible assets exceeded liabilities as prescribed in the Act and the accompanying regulations by TZS 4,048,066,000 (2018: TZS 2,905,007,000) resulting in a solvency margin surplus of TZS 1,922,060,000 (2018: TZS 1,034,222,000).

Notes (Continued)

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

(h) Margin of solvency (Continued)

Solvency margin as at 31 December 2019	TZS' 000	Short term Business TZS' 000
Total admitted assets		19,120,751
Total admitted liabilities		15,072,685
Actual Solvency Margin		4,048,066
Add: Margin requirement (The greater of TZS 1,085,000 million or 20% of net written premium)		
-Net Written Premium current period	10,630,029	
-20% of net written premium	2,126,006	2,126,006
Total liabilities and minimum requirement (margin requirement)		17,198,691
Solvency Margin		1,922,060

Solvency margin as at 31 December 2018	TZS' 000	Short term Business TZS' 000
Total admitted assets		16,361,029
Total admitted liabilities		13,456,022
Actual Solvency Margin		2,905,007
Add: Margin requirement (The greater of TZS 1,131.35 million or 20% of net written premium)		
-Net Written Premium current period	9,353,924	
-20% of net written premium	1,870,785	1,870,785
Total liabilities and minimum requirement (margin requirement)		15,326,807
Solvency Margin		1,034,222

Notes (Continued)

27. 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. The Carrying amounts of financial assets and financial liabilities are approximate of the fair value because of the short term nature.

31 December 2019	At fair value through profit or loss	Held to maturity	Loans and receivables	Available for sale	Other amortised cost	Total carrying amount	Fair value
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
ASSETS							
Investments in government securities	-	3,958,840	-	-	-	3,958,840	3,958,840
Deposits with financial institutions	-	7,359,702	-	-	-	7,359,702	7,359,702
Reinsurer's share of technical provision and reserve	-	-	25,501,023	-	-	25,501,023	25,501,023
Insurance receivables	-	-	2,653,462	-	-	2,653,462	2,653,462
Other receivables	-	-	61,596	-	-	61,596	61,596
Cash and cash equivalents	-	5,029,724	-	-	-	5,029,724	5,029,724
Total assets	-	16,348,265	28,216,080	-	-	44,564,346	44,564,346
LIABILITIES							
Insurance contract liabilities	-	-	34,386,621	-	-	34,386,621	34,386,621
Payables arising from re insurance arrangements	-	-	2,594,460	-	-	2,594,460	2,594,460
Other payables	-	-	3,592,626	-	-	3,592,626	3,592,626
Total liabilities	-	-	40,573,708	-	-	40,573,708	40,573,708

Notes (Continued)

28. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Accounting classifications and fair values (Continued)

31 December 2018	At fair value through profit or loss	Held to maturity	Loans and receivables	Available for sale	Other amortised cost	Total carrying amount	Fair value
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
ASSETS							
Investments in government securities	-	2,768,666	-	-	-	2,768,666	2,768,666
Deposits with financial institutions	-	8,191,707	-	-	-	8,191,707	8,191,707
Reinsurer's share of technical provision and reserve	-	-	26,986,687	-	-	26,986,687	26,986,687
Insurance receivables	-	-	2,002,973	-	-	2,002,973	2,002,973
Other receivables	-	-	17,838	-	-	17,838	17,838
Cash and cash equivalents	-	3,391,976	-	-	-	3,391,976	3,391,976
Total assets	**-**	**14,352,348**	**29,007,498**	**-**	**-**	**43,359,846**	**43,359,846**
LIABILITIES							
Insurance contract liabilities	-	-	-	-	35,838,099	35,838,099	35,838,099
Payables arising from re insurance arrangements	-	-	-	-	2,713,406	2,713,406	2,713,406
Other payables	-	-	-	-	1,891,204	1,891,204	1,891,204
Total liabilities	**-**	**-**	**-**	**-**	**40,442,709**	**40,442,709**	**40,442,709**

29. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The Directors also confirm that there are no commitments involving the Company as at the date of this report.

There are pending tax cases in which the Company is contesting various notices of settlement of objection from Tanzania Revenue Authority for the years 2016 and 2017. As at 31 December 2019, the principal amount of tax in dispute and which depends on the outcome of these cases is TZS 1,134 million. The Company will be liable for payment of this sum in the event a judgment is entered in favor of the Tanzania Revenue Authority.

30. SUBSEQUENT EVENTS

On 11 March 2020, the World Health Organisation declared the Coronavirus COVID-19 outbreak to be a pandemic due to its rapid spread across the globe. Many governments including the Tanzanian government, are taking stringent measures to help contain the virus, including: requiring self-isolation/ quarantine by those potentially affected, implementing social distancing measures, and controlling or closing borders. This has led to a weaker economic outlook and uncertainties across the globe and within the country.

As at the date of this report, there is no sufficient data to quantify the effects of the pandemic however, based on our preliminary assessment the Directors and management believe the effect of the pandemic will not have a material impact on the financial statements as at 31 December 2019 and does not amount to a material uncertainty over the Company's ability to continue as a going concern.

As at the date of signing the financial statements, the Directors are not aware of any other matter or circumstance arising since the end of the financial year, not otherwise dealt with in these financial statements, which significantly affect the financial position of the Company and results of its operations.

Appendix A – Revenue Account

APPENDIX A – REVENUE ACCOUNT FOR THE PERIOD ENDED 31 DECEMBER 2018

	Fire TZS'000	Motor TZS'000	Personal Accident TZS'000	W/Men Compensation TZS'000	Marine TZS'000	Engineering TZS'000	Misc. TZS'000	Total TZS'000
Gross written premiums	6,350,086	9,575,379	249,473	114,905	2,399,508	1,272,640	2,198,016	22,160,007
Changes in Gross UPR	(71,737)	106,188	21,635	(16,305)	54,795	64,673	(253,914)	(94,664)
Gross Earned Premiums	6,421,823	9,469,190	227,838	131,210	2,344,713	1,207,966	2,451,930	22,254,671
Less: Reinsurance Payable	5,667,612	2,130,284	100,655	8,301	1,065,048	1,000,338	1,557,739	11,529,978
Net Earned Premiums (A)	754,211	7,338,906	127,183	122,909	1,279,664	207,629	894,191	10,724,693
Paid claims	5,978,957	4,638,669	1,808	-	305,414	339,180	380,992	11,645,020
Change in Gross outstanding claims	(213,628)	(59,668)	11,304	22,827	221,488	128,945	75,713	186,980
Less: Reinsurance receivables	5,403,167	1,549,824	3,029	-	182,743	278,462	322,879	7,740,103
Net incurred claims (B)	362,162	3,029,177	10,082	22,827	344,159	189,664	133,826	4,091,897
Commissions Receivable	1,898,321	312,404	26,650	1,453	218,191	265,475	439,108	3,161,600
Commissions Payable	1,410,835	1,071,873	37,477	20,567	344,232	258,610	333,851	3,477,446
Deferred acquisition cost	5,473	4,637	(16,788)	3,368	(68,207)	(29,158)	60,390	(40,285)
Expenses of Management	1,293,404	1,950,341	50,813	23,404	488,739	259,215	447,698	4,513,615
Premium Tax & Levies	59,507	89,731	2,338	1,077	22,486	11,926	20,598	207,662
Total expenses and Commissions (C)	870,898	2,804,178	47,191	46,964	569,059	235,118	423,429	4,996,837
Underwriting profit- 2018 (A –B –C)	(478,849)	1,505,550	69,910	53,119	366,447	(217,153)	336,939	1,635,959

Appendix A – Revenue Account

APPENDIX A – REVENUE ACCOUNT FOR THE PERIOD ENDED 31 DECEMBER 2018

	Fire	Motor	Personal Accident	W/Men Compensa-tion	Marine	Engineer-ing	Misc.	Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Gross written premiums	5,666,525	8,437,833	266,427	76,653	1,613,268	1,284,356	2,089,064	**19,434,126**
Changes in Gross UPR	282,082	869,826	(26,133)	17,670	(45,920)	91,776	188,297	1,377,599
Gross Earned Premiums	**5,384,443**	**7,568,006**	**292,560**	**58,983**	**1,659,188**	**1,192,580**	**1,900,767**	**18,056,527**
Less: Reinsurance Payable	5,158,019	1,724,194	176,150	6,848	939,640	1,007,880	1,067,471	10,080,202
Net Earned Premiums (A)	**226,424**	**5,843,812**	**116,411**	**52,135**	**719,548**	**184,700**	**833,296**	**7,976,325**
Paid claims	3,382,420	2,867,722	31,456	-	169,506	245,253	452,669	7,149,026
Change in Gross outstanding claims	439,322	770,393	17,860	7,753	47,505	(11,560)	204,864	1,476,137
Less: Reinsurance receivables	2,970,393	1,073,076	3,186	-	105,129	395,928	242,164	4,789,876
Net incurred claims (B)	**851,349**	**2,565,040**	**46,130**	**7,753**	**111,882**	**(162,236)**	**415,369**	**3,835,287**
Commissions Receivable	1,810,062	394,971	77,206	1,199	305,690	380,130	374,303	3,343,562
Commissions Payable	1,462,612	1,020,941	40,276	13,756	307,604	195,456	337,275	3,377,922
Deferred acquisition cost	68,353	(88,422)	19,885	(3,234)	101,338	13,054	26,204	137,177
Expenses of Management	843,036	1,255,336	39,638	11,404	240,014	191,080	310,800	2,891,307
Premium Tax & Levies	60,549	90,162	2,847	819	17,238	13,724	22,322	207,662
Total expenses and Commissions (C)	**624,488**	**1,883,046**	**25,439**	**21,546**	**360,503**	**33,184**	**322,299**	**3,270,506**
Underwriting profit- 2017 (A –B –C)	**(1,249,414)**	**1,395,726**	**44,841**	**22,836**	**247,163**	**313,752**	**95,628**	**870,535**

MAYFAIR INSURANCE

Mayfair Tanzania felicitated the Stalwarts from Broking fraternity.

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