MAYFAIR INSURANCE TANZANIA LIMITED

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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FOR THE YEAR ENDED 31 DECEMBER 2020

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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 States Dollars
VAT	Value Added Tax

CORPORATE INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2020

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	Resigned on 05 February 2021
	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

Adili Corporate Services Tanzania Limited
Ground Floor,
1 Bains Singh Avenue, Msasani Peninsula
P. O. Box 79651 Dar es Salaam,
Dar es Salaam

AUDITOR

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

LAWYERS

A & D Law Attorneys
15-13 Lukuledi St, Dar es Salaam
P. O. Box 34511
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

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors have pleasure to present their report together with the audited financial statements for the year ended 31 December 2020, 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 licenced insurer and underwrites general insurance business.

3. COMPANY'S VISION

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

4. COMPANY'S MISSION

To provide financial security through reliable and innovative insurance solutions.

5. CORPORATE GOVERNANCE

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

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

8. FUTURE DEVELOPMENT PLANS

The company has consolidated its credentials as a serious long-term player in the Tanzanian Insurance sector by setting credible benchmarks in customer service and care through prompt and effective claims management on the basis of prudent underwriting practices. The Company has consistently exceeded the prudential solvency margins required by the insurance regulator TIRA underlining its responsible business practices of keeping customer's long-term safety and security in mind.

The company intends to aggressively contribute to government's policy of further improving the financial inclusion of masses by increasing insurance penetration through designing of new innovative products focussing the agriculture and micro-insurance sectors for which a beginning has already been made. Local upskilling and capacity building also remains a significant component of company's policies for the year 2021.

9. PERFORMANCE OF THE YEAR

The results of the Company are set out on page 14 of these financial statements. The directors declared and approved payment of a dividend amounting to TZS 500 million (2019: Nil) relating to 2019 profit. The highlights of the Company's performance for the year are as follows:

- Gross written premium was TZS 22.22 billion. (2019: TZS 22.16 billion);
- The net written premium was TZS 9.55 billion (2019: TZS 10.63 billion);
- The net insurance claims incurred was TZS 3.32 billion. (2019: TZS 4.09 billion);
- The administration expenses for the year were TZS 6.38 billion. (2019: TZS 4.72 billion);
- The company has registered a profit before tax of TZS 1.71 billion. (2019: profit of TZS 2.87 billion).

10. EFFECTS OF COVID-19

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, took 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 led to a weaker economic outlook and uncertainties across the globe and within the country. However, Tanzania was lucky to get benefit of the vision of Late President H.E. Dr. John Pombe Magufuli who did not impose a lockdown like many other countries which greatly helped the economy to keep ticking.

Overall COVID-19 has restricted the movement of people, goods and services. This has affected insurers' operations a bit, which to a large extent, have traditionally required physical engagement. It also affected insurers' ability to launch new products, conclude new sales, collecting premium, service existing customers and processes to some extent. Moreover, the economic crisis triggered by the pandemic is affecting premium and Investment Income due to impact on Tourism and hospitality sector and transportation sectors due to slowdown/ lockdown in target markets. While the pandemic has put up challenges before the insurance sector, it has also provided an opportunity for us as insurers to become better equipped to embrace and adopt innovation and develop our alternate sales channels like web-based portals and the like. While it is difficult to quantify the impact of COVID-19 pandemic on insurance sector in absence of official data as of now, a general slowdown was visible due to reduction and down grading of insurance covers by the clients due to uncertainties facing the global economy.

11. 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 2020 and is of the opinion that they met accepted criteria.

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

12. 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.

12. EMPLOYEES WELFARE (CONTINUED)

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 2.2 million (2019: TZS 3.2 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.

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 27 (2019: 23).

Group Life Insurance cover

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

13. 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 4.5 million (2019: 6 million).

14. SOLVENCY

The Board of directors confirms that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis. The Board of directors has reasonable expectation that Mayfair Insurance Tanzania Limited has adequate resources to continue in operational existence for the foreseeable future.

The Company's state of affairs as at 31 December 2020 is set out on page 13 of these financial statements.

15. TRANSFER TO RESERVE

An amount of TZS 286.572 million (2019: TZS 664.8 million), has been transferred from the retained earnings to a contingency reserve, in accordance with Regulation 27(2)(b) of the Insurance Act 2009.

16. ADMINISTRATIVE MATTERS

The Company is capable of handling all administrative matters.

17. 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

18. RELATED PARTY TRANSACTIONS

The details of related party balances and transactions are provided in Note 25 to the financial statements.

19. AUDITOR

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

BY ORDER OF THE BOARD

....
MR. JAYESH G. SHAH
CHAIRMAN

DATE: 31-03-2021

....
MR. DAVID A. SAWE
DIRECTOR

DATE: 31-03-2021

MAYFAIR INSURANCE TANZANIA LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2020

The Company's directors are responsible for the preparation of the financial statements that give a true and fair view of Mayfair Insurance Tanzania Limited comprising the statement of financial position as at 31 December 2020, 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 in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2002.

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

The directors have made an assessment of the ability of the Company to continue as going concern and have no reason to believe that the business will not be a going concern at least for the next twelve months from the date of approval of these financial statements.

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

Approval of financial statements

The financial statements of Mayfair Insurance Tanzania Limited, as identified in the first paragraph, were approved and authorized for issue by the directors on .... and signed by;

....	....
MR. JAYESH G. SHAH	**MR. DAVID A. SAWE**
CHAIRMAN	**DIRECTOR**
Date: 31 - 03 2021	**Date:** 31 - 03 - 2021

MAYFAIR INSURANCE TANZANIA LIMITED

DECLARATION OF THE HEAD OF FINANCE
FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020, 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 | 2021

KPMG
Certified Public Accountants
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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MAYFAIR INSURANCE TANZANIA LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Mayfair Insurance Tanzania Limited ("the Company") set out on pages 13 to 54, which comprise the statement of financial position as at 31 December 2020, 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, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Mayfair Insurance Tanzania Limited as at 31 December 2020 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act, 2002.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's 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' International Code of Ethics for Professional Accountants (including International Independence Standards) (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.

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.

KPMG

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MAYFAIR INSURANCE TANZANIA LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Insurance contract liabilities

Refer to Note Note 3 (a)(ii) and Note 14 to the financial statements

Key audit matter	How the matter was addressed in our audit
Insurance contract liabilities constitute 75.5% (TZS 25 billion) of the Company's total liabilities as at 31 December 2020. 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 estimates in respect of IBNR are generally subject to a greater degree of estimation uncertainty than that for reported claims. 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. Some of the underlying techniques applied in the estimation of the liability include the Company's past claims experience which is used to project future claims development and hence ultimate costs. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future (for example to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, 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. Due to the size and complexity of estimating insurance contracts liabilities, we considered this to be a key audit matter.	Our audit procedures in this area included: • Assessing the design and operating effectiveness of key controls over determination of insurance contract liabilities such as controls over IBNR provision and settlement of the actual claims. • Evaluating a sample of claims reserves by comparing the estimated amount of the reserve to the appropriate documentation, such as reports from loss adjusters. • Assessing whether there are unrecorded insurance contract liabilities at the end of the financial period by inspecting claims reported after the end of the reporting period. • Re-performing reconciliations between the claims data recorded in the financial systems and the data used in the IBNR reserving calculations. • Analysing the past trends of the claims by comparing prior years incurred claims but reported in the current year with the IBNR provision in prior year. • Evaluating the adequacy of the Company's disclosures in relation to the key assumptions, judgements and sensitivities used in the calculation of insurance contract liabilities.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MAYFAIR INSURANCE TANZANIA LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the document titled "Mayfair Insurance Tanzania Limited report and financial statements for the year ended 31 December 2020", but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of the Directors for the financial statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS and in the manner required by 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 misstatement, 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 have no realistic alternative but to do so.

Auditor's 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 auditor's 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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

KPMG

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MAYFAIR INSURANCE TANZANIA LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's 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 the 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 auditor's 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 to you, based on our audit that:

- in our opinion, proper accounting records have been kept by Mayfair Insurance Tanzania Limited,
- the individual accounts are in agreement with the accounting records of the Company;
- we obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit; and
- information specified by the law regarding Directors' emoluments and other transactions with the Company is disclosed.

KPMG
Certified Public Accountants (T)

Signed by: CPA Alexander Njombe (ACPA 2714)
Dar es Salaam

Date: 31 - 03 - 2021

MAYFAIR INSURANCE TANZANIA LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Notes	2020 TZS'000	2019 TZS'000
Assets			
Property and equipment	6	636,569	815,770
Intangible assets	7	287,856	427,719
Deferred tax	26 (b)	128,749	481,457
Deferred acquisition cost	8	1,622,617	1,641,108
Investment in government securities	9	4,518,914	3,958,840
Deposits with financial institutions	10	11,876,807	12,384,368
Reinsurers' share of technical provisions and reserves	11	16,690,695	25,501,023
Insurance receivables	12	3,561,748	4,635,231
Other receivables	13	65,090	61,596
Income tax receivable	26 (a)(ii)	225,116	-
Cash and bank balances	23	1,203,250	582,272
Total assets		**40,817,411**	**50,489,384**
Liabilities			
Insurance contract liabilities	14	25,220,257	34,386,621
Payables arising from reinsurance arrangements	15	3,342,175	4,576,228
Other payables	16	4,380,380	3,271,888
Bank overdraft	24	449,010	577,215
Income tax payable	26 (a)(ii)	-	200,738
Total liabilities		**33,391,822**	**43,012,690**
Net assets		**7,425,589**	**7,476,694**
Shareholders' equity			
Share capital	17	4,000,000	4,000,000
Retained earnings		1,200,451	1,538,128
Capital and contingency reserves		2,225,138	1,938,566
Total shareholders' equity		**7,425,589**	**7,476,694**

The financial statements on pages 13 to 54 were approved and authorised for issue by the Board of Directors on 31-03-2021 and were signed 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 54.
Report of the Auditor – pages 9 to 12.

MAYFAIR INSURANCE TANZANIA LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 TZS'000	2019 TZS'000
Gross written premium	18	22,224,831	22,160,007
Premium ceded to re-insurers		(12,672,443)	(11,529,978)
Net written premium		**9,552,388**	**10,630,029**
Change in gross unearned premium provision	14	590,875	32,099
Re-insurers' share of technical provisions and reserves (change in unearned premium)	11	(24,747)	62,565
Net change of unearned premium provision		**566,128**	**94,664**
Net insurance premium revenue		**10,118,516**	**10,724,693**
Commission income		3,660,225	3,219,730
Investment income	19	1,344,453	1,232,133
Other income		36,402	1,188
Net income		**15,159,596**	**15,177,744**
Gross insurance claims	20	(1,018,258)	(10,493,368)
Re-insurers' share of claims and benefits incurred	20	(2,303,556)	6,401,471
Net insurance claims		**(3,321,814)**	**(4,091,897)**
Acquisition costs	21	(3,740,987)	(3,495,290)
Administrative expenses	22	(6,382,464)	(4,721,277)
		(10,123,451)	**(8,216,567)**
Profit before taxation		**1,714,331**	**2,869,280**
Taxation expense	26(a) (i)	(1,265,434)	(710,603)
Profit for the year		**448,897**	**2,158,677**
Other comprehensive income		-	-
Total comprehensive income for the year		**448,897**	**2,158,677**

Notes and related statements forming part of these financial statements appear on pages 17 to 54.

Report of the Auditor – pages 9 to 12.

MAYFAIR INSURANCE TANZANIA LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital TZS'000	Contingency reserves TZS'000	Retained earnings TZS'000	Total TZS'000
Balance as at 1 January 2020	4,000,000	1,938,566	1,538,128	7,476,694
Profit for the year	-	-	448,897	448,897
Transactions with owners of the Company				
Dividend paid	-	-	(500,002)	(500,002)
Transfer to contingency reserves *	-	286,572	(286,572)	-
Balance as at 31 December 2020	**4,000,000**	**2,225,138**	**1,200,451**	**7,425,589**
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 54.

Report of the Auditor – pages 9 to 12.

MAYFAIR INSURANCE TANZANIA LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 TZS'000	2019 TZS'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		1,714,331	2,869,280
Adjustments for:			
- Provision charge for bad debts	12	-	57,079
- Depreciation	6	255,103	247,815
- Amortisation	7	139,863	106,930
- Loss / (gain) on disposal of property and equipment		1,646	(2,001)
- Interest on lease liability	25	35,294	42,377
Operating profit before working capital changes		**2,146,237**	**3,321,480**
Changes in:			
- Insurance contract liabilities	14	(9,166,364)	(1,451,478)
- Receivables arising out of direct insurance arrangements	12	1,465,824	(330,136)
- Receivables arising out of reinsurance arrangements	12	(392,342)	(377,432)
- Reinsurer's share of technical provision and reserves	11	8,810,328	1,485,664
- Other receivables	13	(3,494)	(43,758)
- Payables arising out of reinsurance arrangements	15	(1,234,053)	(118,946)
- Other payables (excluding lease liability)	16	1,160,994	779,971
- Deferred acquisition cost	21	18,491	17,845
Cash generated from operating activities		**2,805,621**	**3,283,210**
Payment of lease liability interest		(35,294)	(42,377)
Income tax paid	26 (a) (ii)	(1,338,580)	(656,022)
Net cash generated from operating activities		**1,431,747**	**2 584,811**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property and equipment		650	4,356
Acquisition of items of property and equipment	6	(78,198)	(121,908)
Acquisition of intangible asset	7	-	(365,584)
Investment in government securities	9	(560,074)	(1,190,174)
Proceeds from deposits with financial institutions	10	500,027	832,004
Net cash used in investing activities		**(137,595)**	**(841,306)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liability principal		(52,501)	(105,758)
Dividend paid		(500,002)	-
Net cash used in financing activities		**(552,503)**	**(105,758)**
Net increase in cash and cash equivalents		**741,649**	**1,637,747**
Movement in cash and cash equivalents during the year is as follows:			
Cash and cash equivalents as at 1 January		5,029,723	3,391,976
Cash and Cash equivalent as at 31 December	23	**5,771,372**	**5,029,723**

Notes and related statements forming part of these financial statements appear on pages 17 to 54.
Report of the Auditor – Pages 9 to 12.

1. REPORTING ENTITY

Mayfair Insurance Tanzania Limited is a Company domiciled in Tanzania. The financial statements of the Company are for the year ended 31 December 2020. 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 (IFRSs) 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 and financial instruments that are measured at revalued amounts or fair values. The significant accounting policies are included in Note 3.

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 judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

(i) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting into a material adjustment in the year ended 31 December 2020 is included in the following notes:

— Note 3(c)(iii) and Note 28 – impairment of financial assets
— Note 3(a)(ii) – IBNR provision: key assumptions underlying provisions for losses not reported;
— Note 3(n) and Note 26 – recognition of deferred tax assets: availability of future taxable profit against which tax losses carried forward can be use

2. BASIS OF PREPARATION (CONTINUED)

(e) *COVID – 19 considerations*

The coronavirus pandemic has had a devastating impact on the global economy and has resulted in significant changes to government actions, economic and market drivers as well as consumer behaviour.

The pandemic has had a significant impact on the risks that the Company is exposed to and has forced the company to reassess assumptions, and existing methods of estimation and judgements, used in the preparation of these financial statements. There remains a risk that future performance and actual results may differ from the judgements and assumptions used.

As the outbreak continues to progress and evolve, it is challenging to predict the full extent and duration of its business and economic impact.

As at the reporting date the effects of the pandemic have not had a significant impact on the IBNR provision and/or the deferred tax recoverability assessment. Management remained conservative by taking up more provision for receivables to curb for any future uncertainties that may arise.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

General insurance business is accounted for on an annual basis.

(i) Premiums

Premiums arising from general insurance business

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

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 365 method, and adjusted if necessary to reflect any variation in the incidence of risk during the period covered by the contract.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(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.

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.

Liability adequacy test

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

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iii) Reinsurance (continued)

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) Commission payable and deferred acquisition costs

Commissions payable are based on the premium written and are recorded as an expense in the period in which they are incurred. A proportion of commissions payable is deferred and amortised over the period in which the related premium is earned. Deferred acquisition costs represent a proportion of acquisition costs that relate to policies that are in force at the year end.

Deferred acquisition costs are amortised over the terms of the policies as premiums are earned and are computed using the 365 days method.

(b) Revenue

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

(c) Financial Instruments

The Company deferred application of IFRS 9 Financial instrument until 1 January 2023, with respect to its insurance receivables, where it will apply the standard together with IFRS 17 Insurance contracts. Other financial instruments are accounted for in accordance with IFRS 9.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial Instruments (continued)

ii) Classification

Financial assets are classified into the following specified categories: financial assets 'at amortized cost', 'at fair value through other comprehensive income', and 'at fair value through profit or loss (FVTPL)'. Financial assets are classified based on (i) the business model within which the financial assets are managed and (ii) the contractual cash flow characteristics of the financial assets (whether the cash flows represent 'solely payment of principal and interest').

iii) Subsequent measurement

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

Financial assets at amortized cost

Financial assets are measured at amortised cost if they are held within a business model whose objective is to hold those assets for the purpose of collecting contractual cashflows and those cashflows comprise solely payments of principal and interest ('hold to collect').

Financial assets at fair value through other comprehensive income

Financial assets are measured at fair value through other comprehensive income if they are held within a business model whose objective is achieved by both collecting contractual cashflows and selling financial assets, and those contractual cashflows comprise solely payments of principal and interest ('hold to collect and sell').

Movements in the carrying amount of these financial assets are taken through OCI, except for impairment gains or losses, interest revenue and foreign exchange gains or losses, which are recognised in profit or loss. Where the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

Financial assets at FVTPL

Other financial assets that do not fall into the two categories above are measured at FVTPL. All derivative instruments that are either financial assets or financial liabilities continue to be classified as held for trading and measured at fair value through profit and loss.

iii) Business model assessment

The company assess the business model in which a financial asset is held for each portfolio of financial assets because it best reflects the way the business is managed and information is provided by management. The information considered includes the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets; how the performance of the portfolio is evaluated and reported to the Company's management;
— the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
— how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
— the frequency, volume and timing of sales in prior periods, the reasons for such sales and

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial Instruments (continued)

iii) Business model assessment (continued)

its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

iv) Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.
In assessing whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

— contingent events that would change the amount and timing of cash flows;
— leverage features;
— prepayment and extension terms;
— terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse loans); and
— features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

v) Impairment of financial assets

The company assesses for indicators of impairment at the end of each reporting period using the simplified model. Except for reinsurance assets where the Company has applied exemption available for insurance Companies, all other financial assets are impaired based on expected credit loss (ECL) simplified model. The Company recognises an allowance for either 12-month or lifetime ECLs, depending on whether there has been a significant increase in credit risk since initial recognition.

The measurement of ECLs reflects a probability-weighted outcome, the time value of money and the entity's best available forward-looking information. The aforementioned probability-weighted outcome must consider the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is low.

The carrying amount of financial asset is reduced by impairment loss directly for all financial assets and the loss is recognised in profit or loss.

vi) Financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or 'other financial liabilities'.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

vi) **Financial liabilities (continued)**

Financial liabilities are classified as at fair value through profit or loss where the financial liability is either held for trading or it is designated as at fair value through profit or loss.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid in the financial liability.

Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period.

v) **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.

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

vi) **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.

vii) **Fair value measurement**

Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the company has access at that date. The fair value of a liability reflects its non-performance risk. 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 transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

viii) Fair value measurement (continued)

If there is no quoted price in an active market, then the company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the difference, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price.

Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

As at the reporting date, the company did not have any instruments measured at fair value.

(d) 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. Overdraft are netted to cash and cash equivalent

(e) Non-derivative financial liabilities

The Company has 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.

(f) *Share* capital

Ordinary shares are classified as equity.

(g) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Property and equipment (continued)

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.

iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of 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.

(h) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Intangible assets (continued)

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.

(i) Leases

At inception of a contract, the Company assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration - i.e the customer has the rights to obtain substantially all of the economic benefits from using the assets and the rights to direct the use of the asset.

- As a lessee

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, which comprises the initial amount of lease liability adjusted for any lease payments made at or before commencement date, plus initial direct costs incurred and an estimate of the costs to dismantle and remove the underlying assets or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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

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

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased. Lease payments included in the measurement of the lease liability comprise the following:

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Leases (continued)

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

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

Short term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low value assets (less than TZS 10 Million) and short-term leases (less than 12 months). The Company recognises the lease

(j) 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.

(k) Impairment of non-financial assets

At each reporting date, the company reviews the carrying amounts of its non-financial assets (other than investment properties and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

The company's corporate assets do not generate separate cash inflows and are used by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGUs to which the corporate assets are allocated.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of non-financial assets

An impairment loss in respect of goodwill is not reversed. For other assets, 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.

At each reporting date, the company reviews the carrying amounts of its non-financial assets (other than investment properties and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

The company's corporate assets do not generate separate cash inflows and are used by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGUs to which the corporate assets are allocated.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, 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.

(l) Dividends

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

(m) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) 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.

(o) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) 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.

(q) 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. NEW STANDARDS AMENDMENTS AND INTERPRETATIONS

i) New standards, amendments and interpretations effective and adopted during the year

A number of new standards are effective from 1 January 2020 but do not have material effect on the Company's financial statements.

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- Reference to Conceptual Framework (Amendments to IFRS 3).
- Amendment to IFRS 16: Covid-19 Related Rent Concessions
- Amendment to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark reform

4. NEW STANDARDS AMENDMENTS AND INTERPRETATIONS (CONTINUED)

ii) New standards, amendments and interpretation in issues but not yet effective

At the date of authorisation of the financial statements for the year ended 31 December 2020, 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
• Property, Plant and Equipment: Proceeds before Intended Use – Amendment to IAS 16	1 January 2022
• Onerous Contracts – Cost of Fulfilling a contract – Amendments to IAS 37	1 January 2022

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.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

4. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS (CONTINUED)

i) New standards, amendments and interpretation in issues but not yet effective (Continued)

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 (Continued)

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the financial statements of the Company.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract onerous. The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contract existing at the date when the amendment was first applied. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment. The Company has determined that all contracts existing at 31 December 2020 will be completed before the amendments becomes effective.

5. DETERMINATION OF FAIR VALUES

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

• Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on the Dar es Salaam Stock Exchange;

• Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and

• Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The company considers relevant and observable market prices in its valuations where possible.

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

(a) Insurance receivables and other receivables

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

MAYFAIR INSURANCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. DETERMINATION OF FAIR VALUES (CONTINUED)

(b) Investments

The fair value of financial assets at fair value through profit or loss is determined by reference to their quote bid price at the reporting date. As at the reporting date, the company's investments were those measured at amortised cost with non measured at fair value.

(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.

6. PROPERTY AND EQUIPMENT

	Motor vehicles TZS'000	Computer equipment TZS'000	Furniture, fittings & office equipment TZS'000	Right of Use Asset TZS'000	Total TZS'000
Cost					
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)	-	-	(4975)
At 31 December 2019	**66,430**	**147,721**	**418,392**	**706,470**	**1,339,013**
At 1 January 2020	66,430	147,721	418,392	706,470	1,339,013
Additions	3,064	52,018	23,116	-	78,198
Disposals	(2,430)	-	(1,947)	-	(4,377)
At 31 December 2020	**67,064**	**199,739**	**439,561**	**706,470**	**1,412,834**
Depreciation					
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**
At 1 January 2020	38,981	120,484	222,484	141,294	523,243
Charge for the year	12,569	30,297	70,943	141,294	255,103
Disposal	(940)	-	(1,141)	-	(2,081)
At 31 December 2020	**50,610**	**150,781**	**292,286**	**282,588**	**776,265**
Net book value					
At 31 December 2019	**27,449**	**27,237**	**195,908**	**565,176**	**815,770**
At 31 December 2020	**16,454**	**48,958**	**147,275**	**423,882**	**636,569**

		2020 TZS'000	2019 TZS'000
7.	**INTANGIBLE ASSETS**		
	Cost		
	At 1 January	647,001	281,417
	Additions	-	365,584
	At 31 December	**647,001**	**647,001**
	Amortisation		
	At 1 January	(219,282)	(112,352)
	Amortisation charge	(139,863)	(106,930)
	At 31 December	**(359,145)**	**(219,282)**
	Net book value	**287,856**	**427,719**
8.	**DEFERRED ACQUISITION COST**		
	At 1 January	1,641,108	1,658,952
	Deferred acquisition costs for the year (Note 21)	(18,491)	(17,844)
	At 31 December	**1,622,617**	**1,641,108**
9.	**INVESTMENT IN GOVERNMENT SECURITIES**		
	Treasury bonds	4,518,914	3,958,840
		4,518,914	**3,958,840**
	Maturity analysis:		
	Over one year	4,518,914	3,958,840
		4,518,914	**3,958,840**
10.	**DEPOSITS WITH FINANCIAL INSTITUTIONS**		
	Call deposit accounts	1,673,626	2,299,999
	Fixed deposit accounts	10,203,181	10,084,369
		11,876,807	**12,384,368**
	Maturity analysis:		
	Within 90 days (See Note 23)	5,017,132	5,024,666
	Over 90 days but within a year	6,859,675	7,359,702
		11,876,807	**12,384,368**
11.	**REINSURERS' SHARE OF TECHNICAL PROVISIONS AND RESERVES**		
	Reinsurance share of unearned premium	5,282,075	5,306,822
	Reinsurance share of claims outstanding	10,799,103	18,085,902
	Reinsurance share of IBNR	2,159,821	3,617,181
	Unearned reinsurance commission	(1,550,304)	(1,508,882)
		16,690,695	**25,501,023**
	Change in reinsurance share of unearned premium		
	Balance at 1 January	(5,306,822)	(5,244,257)
	Reinsurance share of unearned premium at 31 December	5,282,075	5,306,822
		(24,747)	**62,565**

12. INSURANCE RECEIVABLES

	2020	2019
	TZS'000	TZS'000
Receivables arising out of direct insurance arrangements:		
Direct clients	36,980	195,864
Agents and brokers	913,788	2,220,728
Less: Provision for impairment	(255,501)	(255,501)
	695,267	**2,161,091**
Receivables arising out of reinsurance arrangement	2,866,481	2,474,140
	3,561,748	**4,635,231**

13. OTHER RECEIVABLES

Staff debtors	36,150	19,102
Prepayments	28,940	42,494
	65,090	**61,596**

14. INSURANCE CONTRACT LIABILITIES

Gross unearned premium provision	9,112,311	9,703,186
Gross outstanding claims provision	13,423,288	20,569,529
Gross IBNR provision	2,684,658	4,113,906
	25,220,257	**34,386,621**

Change in gross unearned premium provision

Balance at 1 January	(9,703,186)	(9,735,285)
Gross unearned premium at 31 December	9,112,311	9,703,186
	(590,875)	**(32,099)**

The following table illustrate how estimates of cumulative claims for the Company have developed overtime on gross basis. Each table shows how the companies estimates of total claims for each accident year have developed over time and reconciles the cumulative claims to the amount included in the statement of financial position.

14. INSURANCE CONTRACT LIABILITIES (CONTINUED)

Claims development table.

31 December 2020

Claim Incident Year	**2016 TZS 000**	**2017 TZS 000**	**2018 TZS 000**	**2019 TZS 000**	**2020 TZS 000**	**Total TZS 000**
Estimate of ultimate claims costs						
At the End of Accident Year	777,812	3,749,551	26,102,814	24,683,435	15,977,273	71,290,885
One year later	255,281	995,158	21,014,999	1,966,438	-	24,231,875
Two year later	211,766	702,746	7,103,748	-	-	8,018,260
Three year later	29,287	500,038	-	-	-	529,325
Four year later	23,527	-	-	-	-	23,527
	-	-	-	-	-	
Estimate of cumm claims	23,527	500,038	7,103,748	1,966,438	15,977,273	25,571,023
Less: Cumulative payments to date	-	(50,032)	(1,351,168)	(932,732)	(7,259,818)	(9,593,750)
Liability in the statement of financial position (excluding VPR)	23,527	450,006	5,752,580	1,033,706	8,717,455	15,977,273
~~Liability in respect of prior years~~ Gross liabilities before 2016						~~9,901,617~~

31 December 2019

Claim Incident Year	**2015 TZS 000**	**2016 TZS 000**	**2017 TZS 000**	**2018 TZS 000**	**2019 TZS 000**	**Total TZS 000**
Estimate of ultimate claims costs						
At the End of Accident Year		648,177	3,124,626	21,752,345	20,569,529	71,290,885
One year later		212,734	829,298	17,512,499	1,638,698	24,231,875
Two year later		176,472	585,622	6,179,546	-	8,018,260
Three year later		24,406	416,698	-	-	529,325
Four year later		19,606		-	-	23,527
		19,606	416,698	6,179,546	1,638,698	25,571,023
Less: Cumulative payments to date		-	(50,032)	(1,351,168)	(932,732)	(9,593,750)
Liability in the statement of financial position		19,606	(74,392)	(2,072,103)	(1,840,219)	15,977,273
Liability in respect of prior years						9,901,617

	2020 TZS'000	2019 TZS'000

15. PAYABLES ARISING FROM REINSURANCE ARRANGEMENTS

	2020 TZS'000	2019 TZS'000
Payable to re-insurers	2,605,161	2,672,107
Payable to insurers	556,880	1,056,290
Payable to direct insurance arrangements	180,134	847,831
	3,342,175	**4,576,228**

16. OTHER PAYABLES

	2020 TZS'000	2019 TZS'000
Sundry creditors	2,244,806	2,331,060
Output VAT and withholding taxes	1,470,080	235,456
Provision for audit fees	32,650	32,650
Statutory deductions	9,346	2,361
Leave pay provision liability	50,287	69,649
Lease liability	548,211	600,712
Dividend Payable	25,000	-
	4,380,380	**3,271,888**

17. SHARE CAPITAL

	2020 TZS'000	2019 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**

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regards to the Company's residual assets

18. GROSS WRITTEN PREMIUM

	2020 TZS'000	2019 TZS'000
Fire	6,766,080	6,350,086
Motor	8,326,671	9,575,379
Accident	249,167	249,473
Workmen compensation	54,266	114,905
Liability	299,445	290,206
Bond and fidelity guarantee	1,679,178	1,195,744
Marine	2,645,665	2,399,508
Engineering	1,315,474	1,272,640
Miscellaneous	888,885	712,066
	22,224,831	**22,160,007**

19. INVESTMENT INCOME

	2020 TZS'000	2019 TZS'000
Interest income from deposits with financial institutions	746,576	660,881
Interest income from investments in government securities	597,877	571,252
	1,344,453	**1,232,133**

	2020 TZS'000	2019 TZS'000

20. INSURANCE CLAIMS

	2020 TZS'000	2019 TZS'000
Gross claims paid	9,593,752	11,645,020
Change in gross claims outstanding (Note 14)	(7,146,246)	(959,710)
Change in Gross IBNR (Note 14)	(1,429,248)	(191,942)
Gross incurred claims	**1,018,258**	**10,493,368**
Reinsurance share of paid claims	(6,440,603)	(7,740,103)
Change in reinsurance share of outstanding claims (Note 11)	7,286,799	1,115,526
Change in reinsurance share of IBNR (Note 11)	1,457,360	223,106
Total claims recovery / (expense)	**2,303,556**	**(6,401,471)**
Net incurred claims	**3,321,814**	**4,091,897**

21. ACQUISITION COSTS

	2020 TZS'000	2019 TZS'000
Commission expense	3,722,496	3,477,446
Movement in deferred acquisition costs (Note 8)	18,491	17,844
	3,740,987	**3,495,290**

22. ADMINISTRATIVE EXPENSES

Profit before taxation and reserve transfers is stated after charging:

	2020 TZS'000	2019 TZS'000
Staff costs	1,896,136	1,691,825
Directors remuneration (Note 24)	130,619	142,083
Auditors remuneration	22,627	79,489
Depreciation	255,102	247,820
Amortization	139,863	106,930
Provision for bad debts	-	57,079
Premium taxes, levies and licenses	216,140	294,164
Other expenses	3,721,977	2,101,887
	6,382,464	**4,721,277**

23. CASH AND CASH EQUIVALENTS

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

	2020 TZS'000	2019 TZS'000
Cash and bank balances	1,203,250	582,272
Deposits with financial institutions maturing within 90 days	5,017,132	5,024,666
	6,220,382	**5,606,938**
Bank Overdraft	(449,010)	(577,215)
	5,771,372	**5,029,723**

24. BANK OVERDRAFT

	2020 TZS'000	2019 TZS'000
Bank overdraft	**449,010**	**577,215**

The company has an overdraft facility with Canara Bank at an interest rate of 1.5%. The overdraft facility is unsecured with an original currency of USD.

25. 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)

	2020 TZS'000	2019 TZS'000
Insurance premiums	4,173,042	2,831,936

(c) Directors' remuneration

Remuneration paid to directors during the year was as follows:		
Anjay V. Patel	16,989	19,225
Vishal Patel	16,989	19,225
Abbas M. Jessa	15,908	16,285
David Sawe	15,908	16,285
William E. Erio	16,989	17,362
Pawan Patel	12,504	16,285
Jayesh Shan	20,773	21,130
Mr. Darpan Pindolia	14,559	16,286
	130,619	142,083

Directors' remuneration relate to fees and travel and accommodation allowances.

(d) Key management personnel remuneration

Salaries and other short-term benefits	1,069,022	839,077

26. TAXATION

(a) Current tax

(i) Income tax expense		
Current tax charge	747,196	1,121,033
Deferred tax charge (Note 25 (b))	352,708	(410,430)
Additional Prior year tax charge	165,530	-
	1,265,434	710,603

26. TAXATION (CONTINUED)

(a) Current tax (continued)

Reconciliation of income tax expense

Accounting profit before taxation	1,714,331	2,869,280
Tax applicable rate of 30%	514,299	860,784
Deferred tax - under/(over) provision in prior year	352,708	(193,721)
Permanently disallowed expenditure	232,897	43,540
Prior year tax charge	165,530	-
	1,265,434	**710,603**

(ii) Income tax receivable / (payable)		
Balance at 1 January	(200,738)	264,273
Tax charge for the period - Note 25(a)(i)	(747,196)	(1,121,033)
Prior year tax charge *	(165,530)	-
Tax payments during the year	1,338,580	656,022
Balance at 31 December	**225,116**	**(200,738)**

* During the year the company underwent a tax audit for the years of income 2016 to 2019 and was issued with an assessment amounting to TZS 1.131 billion. Out of the total tax liability, TZS 196 million was objected with the remaining undisputed exposure agreed for settlement have been recorded in the year then ended. TZS 165.5 million of the remaining liability related to Corporate tax as included in 25 (a)(ii) above with the rest relating to Value Added Tax (VAT) and Withholding taxes included in administrative expenses.

(b) Deferred tax asset

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

2020	**Balance at 1 January TZS'000**	**Recognized in profit or loss TZS'000**	**Balance at 31 December TZS'000**
Accelerated depreciation for tax purposes	(25,106)	76,457	51,351
General provision	506,563	(429,165)	77,398
	481,457	**352,708**	**128,749**

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**

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

27. 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.

The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term. Below are the low value assets;

	2020 TZS '000	2019 TZS'000
Zanzibar Office	8,036	8,036
Mwanza Office	8,100	8,100
	16,136	16,136

Right of use asset

The carrying amount of right-of-use asset recognised and the movement during the period has been disclosed as part of property and equipment in the Note 6 of this financial statement. The asset relates to office buildings.

Lease liability movement

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2020 TZS'000	2019 TZS'000
Balance at 1 January	600,712	706,470
Payments of lease Liability (cash flow item)	(52,501)	(105,758)
Payments of interest expense (cash flow item)	(35,294)	(42,377)
Finance cost	35,294	42,377
Balance at 31 December	**548,211**	**600,712**
Current	148,135	148,135
Non-current	400,076	452,577
	548,211	**600,712**

Extensions options

Some leases of office premises contain extension options exercisable by the company up to one term after the end of the non-cancellable contract period. Where practicable, the company seeks to include extension options in new leases to provide operational flexibility. 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.

28. 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.

As a result of COVID-19 pandemic, there were no significant impact on the financial risk management by the company. The company has not experienced cash flow challenges arising from disruptions to its operations, higher operating costs or decrease in demand for its insurance products, which results in lost revenues.

(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.

This risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting principles and guidelines, as well as the use of carefully arranged reinsurance agreements.

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).

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

(a) Insurance risk (continued)

(ii) Frequency and severity of claims (continued)

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.

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.

2020	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	2,984,614	2,858,546	2,483,511	8,326,671
Net	2,684,653	2,505,079	1,586,259	6,775,991
Accident gross	1,030	25,657	222,480	249,167
Net	962	11,911	101,703	114,576
Marine gross	202,292	614,604	1,828,769	2,645,665
Net	51,013	479,104	921,091	1,451,208
Fire gross	309	205,094	6,560,677	6,766,080
Net	246	129,916	801,768	931,930
Engineering gross	2,378	37,195	1,275,901	1,315,474
Net	1,318	24,416	371,865	397,599
Others	37,867	695,000	2,188,907	2,921,774
Net	14,496	233,128	217,176	464,800
Gross written premium	**3,228,490**	**4,436,096**	**14,560,245**	**22,224,831**
Net written premium (inclusive of re-insurer's share TZS 583,716 million)	**2,752,688**	**3,383,554**	**3,999,862**	**10,136,104**

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

(a) Insurance risk (Continued)

iii) Concentration of insurance liabilities (Continued)

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	7,619,431
Accident gross	1,010	25,171	218,256	244,437
Net	1,639	21,058	126,121	148,818
Marine gross	183,470	557,420	1,658,617	2,399,507
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	878,578
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	746,880
Gross premium	**2,451,097**	**5,847,873**	**13,861,037**	**22,160,007**
Net written premium (inclusive of re-insurer's share TZS 725,652 million)	**2,142,771**	**4,815,471**	**4,397,439**	**11,355,681**

(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.

28. 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 2020 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 following table shows the carrying amounts of financial assets bearing credit risk excluding reinsurance assets and Government securities which are disclosed in note 11 and note 9 respectively:

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

(c) Credit risk (Continued)

	2020 TZS'000	2019 TZS'000
Deposit with financial Institutions	11,876,807	12,384,368
Cash and cash equivalent	1,203,250	582,272
Receivables arising from direct insurance arrangement	695,267	2,161,091
Receivable arising from reinsurance arrangements	2,866,481	2,474,140
Other receivables (excluding prepayments)	36,150	19,102
	16,677,955	**17,620,973**

None of the above assets are either past due or impaired except for the following amounts under receivables arising from direct insurance arrangement:

	2020 TZS'000	2019 TZS'000
Past due but not impaired:		
by up to 30 days	695,267	2,161,091
Receivables individually determined to be impaired:		
Carrying amount before provision for impairment	950,768	2,416,592
Provision for impairment loss	(255,501)	(255,501)
Net carrying amount	695,267	2,161,091

No collateral is held in respect of the receivables that are past due but not impaired. Movements on the provision for impairment of receivables arising on direct insurance arrangements are as follows;

	2020 TZS'000	2019 TZS'000
At start of the year	255,501	198,422
Provision for the year	-	57,079
At end of year	**255,501**	**255,501**

During the year ended 31 December 2020 provision for impairment reduced by TZS 76 million however management resolved not to release the provision. This will carter for any COVID-19 related future uncertainties and defaults.

All insurance receivables relating to direct business and brokers past due for more than 365 days are considered to be impaired and are carried at their estimated recoverable value.

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

(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:

2020	Carrying Amount TZS'000	Due on demand TZS'000	1 – 3 months TZS'000	3 – 12 months TZS'000	1 – 5 years TZS'000
Insurance contract liabilities	25,220,257	-	9,738,798	15,481,459	-
Payables arising from reinsurance arrangements	3,342,175	-	2,481,446	860,729	-
Other payables	2,152,876	-	1,265,313	887,563	-
Bank Overdraft	449,010		449,010		
Lease liability	548,211	-	-	148,135	400,076
	31,712,529	-	13,934,567	17,377,886	400,076

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
Insurance contract liabilities	34,386,621	-	13,278,388	21,108,233	-
Payables arising from reinsurance arrangements	4,576,228	-	1,234,053	3,342,175	-
Other payables	2,283,602	-	1,546,201	737,401	-
Bank Overdraft	557,215		128,205	449,010	
Lease liability	600,712	-	-	148,135	452,577
	42,404,378	-	16,186,847	25,784,954	452,577

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

(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 2020, 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 85.7 million (2019: TZS 143.5 million).

(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.

28. 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:

	2020 TZS'000	2019 TZS'000
Bank balances	809,909	396,459
Deposit with financial institutions and investment in government securities	16,395,721	16,343,208
Receivables	4,518,914	3,958,840
Payables	(8,171,566)	(9,167,439)
	13,552,978	**11,531,068**
A sensitivity analysis in relation to net exposure for a 10% strengthening of the USD against TZS		
Increase/(decrease) in equity	**1,355,298**	**983,428**
Increase/(decrease) in profit or loss	**1,355,298**	**983,428**

The following significant exchange rates applied during the year:

	Average rate	Closing rate
US Dollar	2,293.11	2,288.04

(iii) Weighted average effective interest rates

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

	2020 %	2019 %
Government securities	11.52	11.52
Deposits with financial institutions (TZS)	10.02	9.44
Deposits with financial institutions (US$)	4.22	4.14

(f) Capital management

The Company maintains an efficient capital structure from a combination of equity shareholders' funds which is consistent with the Group's risk profile and the regulatory and market requirements of its business. In response to COVID-19, the company hasn't made any changes to its capital management policies.

During the year the return on capital employed was 23.09% (2019: 38.38%). Return on capital is defined as: profit for the year before tax divided by total shareholders' equity. There were no changes in the Company's approach to capital management during the year.

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

(g) Regulatory capital

The Company is required to comply with the following:

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

As per regulation issued under section 18 of the Insurance Act, 2009, it requires the minimum amount of paid up share capital to be maintained by a general insurer to be TZS 2.172 billion for the year ended 31 December 2020.

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

The Company's objectives when managing capital are:

- To comply with the insurance capital requirements that the regulators of the insurance markets require;
- To safeguard the company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk.

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

(h) Margin of solvency

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

The Act requires an insurance company transacting general business to have minimum paid up capital of TZS 2.172 billion times the lesser of 1.03 and the ratio of current year to prior year Consumer Price Index (CPI), i.e. TZS 2,171,801,452 and maintain a solvency margin, (i.e. admitted assets less total liabilities) of the greater of TZS 1,140 million and 20% of net premiums written, i.e. TZS 9,552,388,000 for the year ended 31 December 2020 (2019: TZS 10,630,029,000).

The Company's paid up share capital at 31 December 2020 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 286,572,000 (2019: TZS 664,800,000) to the contingency reserve.

As at 31 December 2020, the Company's total admissible assets exceeded liabilities as prescribed in the Act and the accompanying regulations by TZS 3,510,176,000 (2019: TZS 4,048,066,000) resulting in a solvency margin surplus of TZS 1,599,698,000 (2019: TZS 1,922,060,000).

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

(h) Margin of solvency (Continued)

Solvency margin as at 31 December 2020	TZS' 000	Short term Business TZS' 000
Total admitted assets		20,211,614
Total admitted liabilities		16,701,438
Actual Solvency Margin		**3,510,176**
Add: Margin requirement (The greater of TZS 1,139,632,000 or 20% of net written premium)		
-Net Written Premium current period	9,552,388	
-20% of net written premium	1,910,478	1,910,478
Total liabilities and minimum requirement (margin requirement)		**18,611,916**
Solvency Margin		**1,599,698**

Solvency margin as at 31 December 2019	TZS' 000	Short term Business TZS' 000
Total admitted assets		17,243,853
Total admitted liabilities		15,072,685
Actual Solvency Margin		**2,171,168**
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		**45,162**

29. FAIR VALUE MEASUREMENT

The following table analyses the Company's financial assets and financial liabilities (by class) not measured at fair value at 31 December 2020 and 31 December 2019. Most of these financial assets are measured at amortised cost (not measured at fair value), the carrying amount is hence a reasonable approximation of the fair values.

31 December 2020	Financial assets at fair value through profit or loss TZS'000	Financial asset at amortised costs TZS'000	Financial liabilities at amortised cost TZS'000	Total TZS'000
ASSETS				
Investments in government securities	-	4,518,914	-	4,518,914
Deposits with financial institutions	-	11,876,807	-	11,876,807
Reinsurer's share of technical provision and reserve	-	16,690,695	-	16,690,695
Receivables arising out of direct insurance arrangements	-	695,267	-	695,267
Receivables arising out of reinsurance arrangements	-	2,866,481	-	2,866,481
Other receivables (excluding prepayments)	-	36,150	-	36,150
Cash and cash equivalents	-	1,203,250	-	1,203,250
Total assets	-	37,887,564	-	37,887,564
LIABILITIES				
Insurance contract liabilities	-	-	25,220,257	25,220,257
Payables arising from re insurance arrangements	-	-	3,342,175	3,342,175
Other payables	-	-	4,829,391	4,829,391
Total liabilities	-	-	33,391,823	33,391,823

29. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Accounting classifications and fair values (Continued)

31 December 2019	Fair value through profit or loss TZS'000	Financial asset at amortised costs TZS'000	Financial liabilities at amortised cost TZS'000	Total TZS'000
ASSETS				
Investments in government securities	-	3,958,840	-	3,958,840
Deposits with financial institutions	-	12,384,368	-	12,384,368
Reinsurer's share of technical provision and reserve	-	25,501,023	-	25,501,023
Receivables arising out of direct insurance arrangements	-	2,161,091	-	2,161,091
Receivables arising out of reinsurance arrangements		2,474,140	-	2,474,140
Other receivables (excluding prepayments)	-	19,102	-	19,102
Cash and cash equivalents	-	582,272	-	582,272
Total assets	-	**47,080,836**	-	**47,080,836**
LIABILITIES				
Insurance contract liabilities	-	-	34,386,621	34,386,621
Payables arising from re insurance arrangements	-	-	4,576,228	4,576,228
Other payables	-	-	3,849,103	3,849,103
Total liabilities	-	-	**42,811,952**	**42,811,952**

30. CONTINGENT LIABILITIES

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 to 2019. As at 31 December 2020, the principal amount of tax in dispute and which depends on the outcome of these cases is TZS 573 million (inclusive of the TZS 196 million from the 2020 assessment). The Company will be liable for payment of this sum if a ruling is made in favor of the Tanzania Revenue Authority.

31. CAPITAL COMMITMENTS

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

32. SUBSEQUENT EVENTS

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 period, not otherwise dealt with in these financial statements, which significantly affected the financial position of the company and results of its operations.

MAYFAIR INSURANCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

APPENDIX A – REVENUE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2020

	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	6,766,080	8,326,671	249,167	54,266	2,645,665	1,315,474	2,867,508	**22,224,831**
Changes in Net UPR	127,480	193,409	28,610	7,364	85,279	66,334	57,652	566,128
Gross Earned Premiums	**6,893,560**	**8,520,080**	**277,777**	**61,630**	**2,730,944**	**1,381,808**	**2,925,160**	**22,790,959**
Less: Reinsurance Payable	(6,035,353)	(1,687,956)	(134,591)	(10,924)	(1,286,627)	(1,070,942)	(2,446,050)	(12,672,443)
Net Earned Premiums (A)	**858,207**	**6,832,124**	**143,186**	**50,706**	**1,444,317**	**310,866**	**479,110**	**10,118,516**
Gross Paid claims	(4,239,021)	(3,995,925)	(33,311)	-	(260,103)	(569,399)	(495,993)	(9,593,752)
Change in Net outstanding claims	55,284	(81,527)	(2,177)	(18,766)	(114,510)	48,787	(55,757)	(168,666)
Less: Reinsurance receivables	4,638,397	756,593	21,863	1,422	28,911	606,506	386,912	6,440,604
Net incurred claims (B)	**454,660**	**(3,320,859)**	**(13,625)**	**(17,344)**	**(345,702)**	**85,894**	**(164,838)**	**(3,321,814)**
Commissions Income	2,010,927	246,233	36,118	2,270	379,638	289,634	736,829	3,701,649
Commissions Expense	(1,608,626)	(936,738)	(35,464)	(8,226)	(428,709)	(263,624)	(441,107)	(3,722,494)
Deferred acquisition cost	(23,537)	2,076	(5,880)	(723)	(974)	(22,414)	(8,466)	(59,917)
Expenses of Management	(1,611,822)	(1,984,304)	(59,357)	(12,927)	(630,253)	(313,374)	(683,101)	(5,295,138)
Premium Tax & Levies	(331,023)	(407,374)	(12,190)	(2,655)	(129,436)	(64,358)	(140,290)	(1,087,326)
Total expenses and Commissions (C)	**(1,564,081)**	**(3,080,107)**	**(76,773)**	**(22,261)**	**(809,734)**	**(374,136)**	**(536,135)**	**(6,463,227)**
Underwriting profit- 2020 (A –B –C)	**(251,214)**	**431,158**	**52,788**	**11,101**	**288,881**	**22,624**	**(221,863)**	**333,475**

APPENDIX A – REVENUE ACCOUNT FOR THE PERIOD ENDED 31 DECEMBER 2019

	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	71,736	(106,188)	(21,635)	16,305	(54,795)	(64,673)	253,914	94,664
Gross Earned Premiums	**6,421,822**	**9,469,191**	**227,838**	**131,210**	**2,344,713**	**1,207,967**	**2,451,930**	**22,254,671**
Less: Reinsurance Payable	(5,667,612)	(2,130,285)	(100,655)	(8,301)	(1,065,048)	(1,000,338)	(1,557,739)	(11,529,978)
Net Earned Premiums (A)	**754,210**	**7,338,906**	**127,183**	**122,909**	**1,279,665**	**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)**	**(10,083)**	**(22,827)**	**(344,159)**	**(189,663)**	**(133,826)**	**(4,091,897)**
Commissions Receivable	1,898,320	312,404	26,650	1,453	218,190	265,475	439,108	3,161,600
Commissions Payable	(1,410,835)	(1,071,873)	(37,477)	(20,567)	(344,232)	(258,610)	(333,852)	(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)	(1,076)	(22,486)	(11,926)	(20,598)	(207,662)
Total expenses and Commissions (C)	**(870,899)**	**(2,804,178)**	**(47,190)**	**(46,962)**	**(569,060)**	**(235,119)**	**(423,430)**	**(4,996,838)**
Underwriting profit- 2019 (A –B –C)	**(478,851)**	**1,505,551**	**69,910**	**53,120**	**366,446**	**(217,153)**	**336,935**	**1,635,958**