

**MAYFAIR INSURANCE TANZANIA LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

**MAYFAIR INSURANCE TANZANIA LIMITED**

**REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

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## **MAYFAIR INSURANCE TANZANIA LIMITED**

### **REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

#### **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
IFRSs	IFRS Accounting Standards as issued by the IFRS Accounting Standards Board
ISA	International Standards on Auditing
MNO	Mobile Network Operator
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

**MAYFAIR INSURANCE TANZANIA LIMITED**

**CORPORATE INFORMATION  
FOR THE YEAR ENDED 31 DECEMBER 2023**

<b>DIRECTORS</b>	<b>Name</b>	<b>Nationality</b>	<b>Position</b>
	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
	Mr. Sanjay K Singh	Indian	Managing Director

<b>MANAGEMENT</b>	<b>Name</b>	<b>Position</b>
	Sanjay K. Singh	Managing Director
	Dinesh M. Kankekar (Resigned on 10 July 2023)	General Manager
	Ashish Dave (Joined on 01 December 2023)	General Manager
	Charles M. Sebastian	Chief Finance Officer
	Chrisbeth Thomas	Assistant General Manager

<b>REGISTERED OFFICE</b>	
	TAN Re House, 2 <sup>nd</sup> Floor Plot No. 406, Longido Street P. O. Box 38353 Upanga, Dar es Salaam, Tanzania Tel +255 2922337/338 Fax +255 2922339 E-mail: info@mayfair.co.tz

<b>COMPANY SECRETARY</b>	
	Adili Corporate Services Tanzania Limited Ground floor 1 Bains Singh Avenue, Msasani Peninsula P. O. Box 79651 Dar es Salaam

<b>AUDITOR</b>	
	KPMG The Luminary Plot No.574, Haile Selassie Road Msasani Peninsula Area P.O. Box 1160 Dar es Salaam Registration No: 107992 TIN 100-144-91 PF No. 020

<b>LAWYER</b>	
	A & D Law Attorneys 15-13 Lukuledi St P. O. Box 34511 Dar es Salaam, Tanzania

<b>MAIN BANKERS</b>		
	I & M Bank (Tanzania) Limited	Diamond Trust Bank Tanzania Limited
	Main Branch – Mosque Street	Upanga Branch – UN Road
	P. O. Box 1509	P. O. Box 115
	Dar es Salaam	Dar es Salaam

# MAYFAIR INSURANCE TANZANIA LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2023

The directors have pleasure to present their report together with the audited financial statements for the year ended 31 December 2023, 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, 2<sup>nd</sup> Floor, Plot No. 406, Longido Street, P. O. Box 38353 Dar es Salaam.

### 2. PRINCIPAL ACTIVITIES

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

### 3. OUR BUSINESS MODEL

Company's business model is based on assuming and spreading of risks which revolves around loss probability and diversification of risks. It's a risk sharing model which involves pooling of risks from individual customers and redistributing it across a larger portfolio. Company generates revenue in two ways i.e., by charging premium for granting insurance coverage and then reinvesting the premiums into other income generating assets.

Company recognises insurance claims servicing as its real tangible product and accords utmost importance as a tool to it to create and retain a loyal customer base on long term basis.

Customer centricity is the cardinal business philosophy of the Company. Company also accords high importance to its internal customers- the employees.

Strict compliance to laws of the land along with regulatory norms are the corner stones of all endeavours by the Company. As a responsible corporate citizen, the Company is highly committed to CSR activities.

Appreciation of shareholder value is also one of the key aims of the Company which is driven mainly by revenue generation, cost management, financial capital management and business environment management.

Company lays high emphasis on extensive use of technology to reach out to a wider client base through fast, efficient, affordable and reliable services.

In view of fast changing business environment, Company recognises that it will be critical for it to constantly upgrade its business model to make it leaner, faster and more effective by making it more agile and adaptive.

### 4. OUR STRATEGY

Company's strategy is governed by the Strategic Action Plan (SAP) for 2022-2024 as approved by Board.

The focus of the strategic action plan is on sustainable growth with profitability and customer service. Towards this goal, the Company has evaluated the performance since inception and identified its strength and weakness vis a vis its competitors. To earn the customer confidence, the Company will utilize the IT enabled services and build teams with right attitude and accountability.

Apart from focussing on further cementing relationship with existing channels and clients, Company will also make extensive use of new emerging distribution channels of bancassurance and MNO platforms for fintech micro-insurance solutions to increase the insurance penetration. In depth market research and analysis followed by launch of new innovative products will also be a key component of Company's strategy.

## MAYFAIR INSURANCE TANZANIA LIMITED

### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

#### 4. OUR STRATEGY (CONTINUED)

Company will continue to follow the principle of leaner, compact but highly motivated team backed by wide use of IT- enabled techniques for faster delivery of its services.

Company's strategy will be continuously reviewed and realigned in light of changing economic developments and emerging needs of the society and markets.

#### 5. COMPANY'S VISION

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

#### 6. COMPANY'S MISSION

To provide financial security through reliable and innovative insurance solutions.

#### 7. 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's 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 facilitate 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 five 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 Company 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;
- Executive Committee (EXCOM); and
- Board Strategy Committee

##### **Board Audit and Risk Committee**

<u>No.</u>	<u>Name</u>	<u>Position</u>
1	Mr. Anjay V. Patel	Chairman
2	Mr. David A. Sawe	Member

##### **Board HR and Investment Committee**

<u>No.</u>	<u>Name</u>	<u>Position</u>
1	Mr. William E Erio	Chairman
2	Mr. Pawan S. Patel	Member

**MAYFAIR INSURANCE TANZANIA LIMITED**

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**7. CORPORATE GOVERNANCE (CONTINUED)**

**Executive Committee (EXCOM)**

<u>No.</u>	<u>Name</u>	<u>Position</u>
1	Mr. Jayesh G. Shah	Chairman
2	Mr. Abbas M. Jessa	Member

**Board Strategy Committee**

<u>No.</u>	<u>Name</u>	<u>Position</u>
1	Mr. Vishal V. Patel	Chairman
2	Mr. Darpan Pindolia	Member

**8. CAPITAL STRUCTURE**

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

	%	2023 Amount TZS'000	%	2022 Amount TZS'000
<b>Significant shareholder</b>				
Mayfair Insurance Company Limited – Kenya	40	1,600,000	40	1,600,000
<b>Other shareholders</b>	60	2,400,000	60	2,400,000
Abbas Mohamed Jessa				
Andrea Limited				
Subhash Motibhai Patel				
Lakdawalla Investments Limited				
Anjay Vithlbhai Patel				
Harbinder S. Jandu & Kamal Pal S. Jandu				
Gigvir Investments Limited				
Girdhar Pindolia				
Gaurav Pravin Shah				
Sujay Limited				
Jamdaba Limited				
Kasbo Holdings Limited				
Akberali A. Somji				
	100	4,000,000	100	4,000,000

All the shareholders are financially strong and successful in their own businesses which acts as a great source of guidance for the Company. As a largest shareholder Mayfair Insurance Company Kenya Ltd. provides high level of technical guidance and support to the Company coming from their over 17 years of experience in this sector from multiple markets in Africa. Presence of a large group of successful businessmen from diverse sectors as shareholders gives the Company access to their rich experience and networks apart from diversification of capital sources.

The shareholders are fully committed to fulfil Company's capital needs to meet its short terms and long-term goals and objectives. Internal generation of resources through profitable operations and prudent distribution of dividend keeping Company's capital and liquidity requirements in mind is also one of the strategies followed by shareholders to meet future capital needs of the Company.

## MAYFAIR INSURANCE TANZANIA LIMITED

### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

#### 8. CAPITAL STRUCTURE (CONTINUED)

Company follows a conservative underwriting philosophy by making proper risk selections and right pricing through adequate reinsurance protection to shield the Company's capital from undue exposure. Management team is well qualified and experienced to take care of technical requirements for proper risk management of the Company. Prompt, fair and transparent claims management practices followed by the Company helps it to rationalise the claims cost which adds to incremental addition to Company's reserves through regular underwriting profit which has assisted the Company to add to shareholders fund on a continuous basis after meeting regulatory requirements of various reserves including contingency reserves.

Directors do not hold direct significant interest in the Company's issued and paid up share capital (2022: Nil).

#### 9. 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.

#### 10. FUTURE DEVELOPMENT PLANS

With its positioning as a serious long term reliable insurer after achieving the critical GWP volume which has established it as the 7th largest insurer (excluding medical), the Company is now aiming to achieve its rightful position as a top-notch insurer in the market characterized by innovative and cost-effective insurance solutions backed by strong customer friendly approach and technology.

The company is going to lay special emphasis on digitization of its operations to make service delivery extremely efficient and impersonal without losing the touch of care and respect for its customer base. Improving the customer experience and hence cultivate a reliable and loyal customer base will be a key strategy for the company.

Company aims to develop new products in micro-insurance and credit insurance space through global partnership. Fintech will continue to get special attention as a tool for sustained growth.

The company aims to increase its participation in Tanzania Energy Consortium for assisting in maximising the local retention of oil and gas risks.

The Company will also continue to actively participate in the newly established Tanzania Agriculture Insurance Consortium.

The company will continue its endeavours to launch new, relevant and cost-effective products to address the emerging needs of the society due to fast changes in the technological space.

Improved broker relationship and their delightful experience with us backed by effective customer service will continue to remain as one of the major focuses of the company.

Cross border synergy by working closely with sister companies in Kenya, Zambia, Rwanda, Uganda and DRC under guidance of central team in Nairobi will be one of important focus areas of the company.

Company recognises the significant importance of Human capital in service sector like insurance. The company will lay special emphasis on bridging the skill gaps by skill upgradation and empowerment to create a local team of responsive and committed insurance professionals to meet the changing needs of this sector by allocating special budget for internal and external trainings.

## MAYFAIR INSURANCE TANZANIA LIMITED

### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

#### 11. PERFORMANCE OF THE YEAR

The results of the Company are set out on page 21 of these financial statements. During the year dividend of TZS 600 million was declared and paid. The highlights of the Company's performance for the year are as follows:

- The insurance revenue was TZS 40.36 billion (2022: TZS 30.98 billion);
- The net insurance claims incurred was TZS 8.45 billion (2022: TZS 6.38 billion);
- Other operating expenses for the year were TZS 9.59 billion (2022: TZS 6.55 billion);
- The Company has registered a profit before tax of TZS 4.09 billion (2022: profit of TZS 2.13 billion).

#### 12. KEY PERFORMANCE INDICATORS

<u>Performance indicator</u>	<u>Definition and calculation method</u>	<b>2023</b>	<b>2022</b>
Loss Ratio	Claims incurred/Gross premium	19.21%	18.51%
	Net paid claims/Net written premium	29.82%	32.74%
	Net incurred claims/Earned premium	39.37%	42.45%
Premium Retention Ratio	Net premium/Gross premium	52.61%	45.60%
Operating Ratio	Management expense/Gross premium	19.57%	16.56%
	Management expense/Net premium	37.19%	44.87%
Net Combined Ratio (A measure of profitability of the Company's operations)	Management expense including net commission and net incurred claims/Net earned premium	91.86%	94.03%

#### 13. PRINCIPAL RISKS, UNCERTAINTIES AND OPPORTUNITIES

The principal financial risks that may significantly affect the Company's strategies and development are mainly insurance risk, financial risk, credit risk, liquidity risk and market. More details of the risks facing the Company are provided in Note 25 to the financial statements.

#### 14. OUR RESOURCES

##### *Financial resources*

The Company has adequate financial capacity and resources to successfully implement the strategies for both management expenses and capital investments. Company maintains high solvency margin and reserves to successfully meet the contingencies, if any.

## MAYFAIR INSURANCE TANZANIA LIMITED

### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

#### 14. OUR RESOURCES (CONTINUED)

##### *Structure*

The current Company Structure is adequate to support the effective and efficient implementation of the strategic initiatives laid down. The internal systems and processes do provide a conducive environment for executing the strategic action plan of the Company.

##### *Policy*

Company has right framework of proper policies and all required guidelines, manuals, rules, and procedures in place, are adequate to implement the corporate strategy. Some of the manuals and guidelines and procedures, however, will be subject to periodic reviews to align them with the demands of changing economic conditions and market dynamics. Company has adequate resources to implement these changes on a periodic basis.

##### *Human Resource*

The Company has a very professional and effective Human Resource capital in the form of an experienced and qualified management team led by Managing Director having over 37 years of experience in insurance sector. The combined experience of management team comprising of Managing Director/CEO, GM-T, CFO, AGM and Head of Marketing is over 60 years.

Management team is supported by a team of professionally qualified 27 staff members who are regularly trained to upgrade their skills to fill the skill gaps. Company has an active HR department which analyses the training requirements on a regular basis and imparts needed training periodically through in-house sessions and also nominations to external training programs.

The Company is an equal opportunity employer without any discrimination based on religion, gender, caste, tribe, color or region.

##### *Social and relationship resources*

Our relationships are established within and between each community, group of stakeholders and other networks including the ability to share information and enhance individual and collective well-being. Company lays special emphasis on shared norms, common values and behaviours, key relationships, and the trust and willingness to engage developed over time as it strives to create and protect wealth for its stakeholders.

Company remains committed to stay away from corruption and anti-competitive behaviors and dedicates itself to customer safety and privacy through transparent and non-discriminatory behavior with full respect to human rights and personal freedom and liberty among others.

Company remains committed to social causes by making regular contribution to orphanages, schools public health initiatives.

#### 15. TREASURY POLICIES AND OBJECTIVES

The treasury policy of Mayfair Insurance Company Tanzania Ltd is designed after taking into account the nature, terms and currency of the various liabilities and existing legislations. The aim of this treasury policy is to maximize returns without endangering solvency and liquidity needs to meet its claims liabilities. During the year 77% of total investment was placed on short term fixed interest securities in order to fulfil the insurance claim needs at short notice.

## **MAYFAIR INSURANCE TANZANIA LIMITED**

### **DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023**

#### **15. TREASURY POLICIES AND OBJECTIVES (CONTINUED)**

Company maintains about 23% of its investment in government securities. Company keeps the return on its investments and impact of exchange gains/loss due to currency fluctuations under close monitoring to maximize the returns along with desired level of security of its funds.

#### **16. RELATIONSHIP WITH THE STAKEHOLDER**

Relationships with our key stakeholders including customers, suppliers, business partners, regulators and other service providers remained cordial throughout the year. A good relationship with our key stakeholders remains the root of our core values and belief.

#### **17. 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 2023 and is of the opinion that they met accepted criteria.

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

#### **18. EMPLOYEES WELFARE**

##### **Management and employees' relationship**

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

The Company is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, tribe, religion and disability which does not impair ability to discharge duties.

## **MAYFAIR INSURANCE TANZANIA LIMITED**

### **DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023**

#### **18. EMPLOYEES WELFARE (CONTINUED)**

##### **Training facilities**

Company lays great importance on improving the skills and knowledge of its employees. To this end regular inhouse trainings and sessions are held to impart them with new knowledge and techniques.

Employees are also regularly nominated to trainings organised by external agencies and institutes.

During the year the Company spent about TZS 22.4 million (2022: TZS 47.2 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 37 (2022: 35).

##### **Group Life Insurance cover**

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

#### **19. DISABLED PERSONS**

The Company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion. Where existing employees become disabled, it is the Company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

#### **20. GENDER PARITY**

The Company gives equal opportunity to all Tanzanians during recruitment and filling of management positions provided they have required qualifications and the ability regardless of their gender. The Company had 35 employees, out of which 17 (equivalent to 46%) were female and 20 (equivalent to 54%) were male (2022: 35 employees, 17 female (49%) and male were 18 (51%).

#### **21. 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 involving outgo of over TZS 51.93 million (2022: TZS 28.60 million). The activities included donations to orphanages, school fees for needy students and donations to schools.

**MAYFAIR INSURANCE TANZANIA LIMITED**

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**22. POLITICAL AND CHARITABLE DONATIONS**

No donations were made to any political institutions during the financial year ending 31 December 2023 (2022: Nil).

**23. CASH FLOWS**

The Company is well resourced in terms cash flows, cash generated from operating activities covers for cash used in financing and investing activities. The payment of premium by clients directly to the Company and before commencement of insurance contract has positively influenced stable cash flows for the Company.

Delay in collection of facultative inward premium and other recovery from reinsurers may have an adverse impact to the Company's cash flow in future, however management have strong controls in place to ensure that receivables are recovered on timely fashion. Directors do not foresee any existence of commitments for capital expenditure that would impact the cash flow position of the Company. All excess cash are being invested prudently as guided by the investment policy.

**24. LIQUIDITY**

The Company liquidity is solely from internal sources, there is no plan for borrowing. Liquidity gap for up to the next 5 years is being tested and various risk tolerance limits being benchmarked. The Company manages liquidity by maintaining adequate reserves, continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

**25. 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 2023 is set out on page 18 of these financial statements.

**26. TRANSFER TO RESERVE**

An amount of TZS 465.52 million (2022: TZS 1.0 billion) was transferred from the retained earnings to a contingency reserve, in accordance with Section 27(2)(b) of the Insurance Regulations being higher of 3% of total written premium or 20% of the net profit after tax.

**27. ADMINISTRATIVE MATTERS**

The Company is capable of handling all administrative matters.

**28. RELATED PARTY TRANSACTIONS**

The details of related party balances and transactions are provided in Note 22 to the financial statements.

**MAYFAIR INSURANCE TANZANIA LIMITED**

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**29. DIRECTORS**

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

<b>Name</b>	<b>Gender</b>	<b>Nationality</b>
Mr. Jayesh G. Shah	Male	British
Mr. Anjay V. Patel	Male	British
Mr. Vishal R. Patel	Male	Kenyan
Mr. Abbas M. Jessa	Male	Tanzanian
Mr. David A. Sawe	Male	Tanzanian
Mr. William E. Erio	Male	Tanzanian
Mr. Pawan S. Patel	Male	Tanzanian
Mr. Darpan Pindolia	Male	British
Mr. Sanjay K. Singh	Male	Indian

The non-executive directors are remunerated only by sitting fees.

**30. APPOINTMENT OF THE AUDITOR**

The Company's auditor, KPMG has expressed its 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.

**31. RESPONSIBILITY OF THE AUDITOR**

Auditor is responsible to provide assurance of the consistency of information contained in the report by those charged with governance with those provided in the financial statements.

**32. RESPONSIBILITIES OF THE DIRECTORS**

The Company's directors are responsible for the preparation of financial statements that give a true and fair view of the Company for the year ended 31 December 2023 to the date of approval of the financial statements, in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in the manner required by the Company Act, 2002. More details of the responsibilities of the directors are shown on page 12.

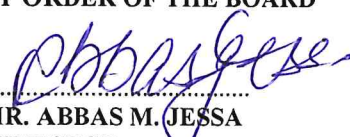
**33. SERIOUS PREJUDICIAL MATTERS**

In the opinion of the Directors, there are no serious unfavourable matters that can affect the Company (2022: None).


**34. STATEMENT OF COMPLIANCE**

The directors' Report has been prepared in full compliance with Tanzania Financial Reporting Standard No.1 (TFRS 1) on directors' report.

**BY ORDER OF THE BOARD**

  
.....  
**MR. ABBAS M. JESSA**  
**DIRECTOR**

DATE: 05/06/2024

  
.....  
**MR. DAVID A. SAWE**  
**DIRECTOR**

DATE: 05/06/2024

**MAYFAIR INSURANCE TANZANIA LIMITED**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES  
FOR THE YEAR ENDED 31 DECEMBER 2023**

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 (the "Company") comprising the statement of financial position as at 31 December 2023, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, comprising material accounting policies in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standard) 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 annual 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 05/06/2024

  
.....  
MR. ABBAS M. JESSA  
DIRECTOR

Date: 05/06/2024

  
.....  
MR. DAVID A. SAWE  
DIRECTOR

Date: 05/06/2024

**MAYFAIR INSURANCE TANZANIA LIMITED**

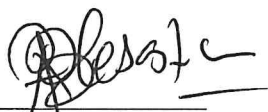
**DECLARATION OF THE HEAD OF FINANCE  
FOR THE YEAR ENDED 31 DECEMBER 2023**

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 indicated in the statement of Directors' Responsibilities.

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 2023, 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: 05.06.2024



**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 20 to 83, which comprise the statement of financial position as at 31 December 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) 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.



**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF MAYFAIR INSURANCE TANZANIA LIMITED (CONTINUED)**

**Report on the Audit of the Financial Statements (Continued)**

*Key audit matters (continued)*

**Transition from IFRS 4 - Insurance contracts ('IFRS 4') to IFRS 17 - Insurance contracts ('IFRS 17'), effective 1 January 2023 and determination of Insurance Contract liabilities.**

Refer to Note 3 (a), 3 (r) (A), Note 4, and Note 13 (a) to the financial statements.

Key audit matter	How the matter was addressed in our audit
<p><b><i>Transition from IFRS 4 to IFRS 17</i></b></p> <p>The transition from IFRS 4 <i>Insurance contracts</i> to the new IFRS Accounting Standard - IFRS 17 <i>Insurance contracts</i>, is a key audit matter because of the significant judgements and assumptions applies during the transition. For contracts that meet the eligibility criteria of the simplified premium allocation approach, the Company made certain key judgments and assumptions to develop its accounting policies which included:</p> <ul style="list-style-type: none"> <li>- The determination of the transition approach applied for the insurance contracts issued, being the fully retrospective approach;</li> <li>- The determination of management's allocation of groups of insurance contracts into different levels of aggregation.</li> <li>- Collation of claims related data</li> <li>- The valuation of policy liability balances on the transition date including related and the resultant effect on opening retained earnings. This includes various assumptions made including best estimate assumptions regarding expected claims and lapses, expected premiums on insurance contracts, expected expenses, commissions and charges.</li> </ul>	<p><b><i>Our audit procedures over transition from IFRS 4 to IFRS 17 with the assistance of our actuarial specialists included:</i></b></p> <ul style="list-style-type: none"> <li>- We obtained an understanding of the Company's chosen key accounting policies and methodologies, including levels of aggregation used, and assessed whether these comply with the requirements of IFRS 17 and that the nature and substance of policies issued supported the policy elections made on transition.</li> <li>- We challenged the judgements applied by management in assessing whether contracts transferred significant insurance risk by evaluating the nature of contracts and reviewing the loss scenarios excluding those that have no commercial substance;</li> <li>- We tested the IFRS 17 transition models and methodologies for internal consistency and compliance with the requirement of IFRS 17;</li> <li>- We assessed the appropriateness of management's data and assumptions applied in valuing insurance contract liability balances as at the transition date (being 1 January 2022) and related opening adjustment in retained earnings for groups of contracts for which the fully retrospective approach was applied by reconciling data to underlying records and by the use of Actuarial valuation specialists to review the actuarial assumptions and models applied; and</li> <li>- We assessed adequacy of the transition disclosure in accordance with IFRS 17.</li> </ul>



**INDEPENDENT AUDITOR’S REPORT  
TO THE SHAREHOLDERS OF MAYFAIR INSURANCE TANZANIA LIMITED (CONTINUED)**

**Report on the Audit of the Financial Statements (Continued)**

*Key audit matters (continued)*

**Transition from IFRS 4 - Insurance contracts (‘IFRS 4’) to IFRS 17 - Insurance contracts (‘IFRS 17’), effective 1 January 2023 and determination of Insurance Contract liabilities.**

Key audit matter	How the matter was addressed in our audit
<p><b><i>Determination of Insurance Contract liabilities</i></b></p> <p>As of 31 December 2023, the value of Insurance contract liability balances was TZS 30 billion.</p> <p>Insurance contract liabilities include the liability for the remaining coverage component which represent premiums received for which insurance cover should still be provided and the liability for incurred claims element, which represents the estimate of unsettled claims for which the insured event has occurred plus a risk adjustment for non-financial risk.</p> <p>In valuing Insurance contract liabilities balances, management applies significant judgment and assumptions. Changes to these assumptions may result in material changes to the valuation.</p> <p>The most significant assumptions made in the valuation of Insurance contract liabilities balances arising from the Company’s insurance contracts relate to:</p> <ul style="list-style-type: none"> <li>Expected claims and lapses</li> <li>Expected premiums on insurance contracts</li> <li>Expected expenses</li> <li>Commission and charges</li> <li>Discount rates</li> <li>Levels of claims inflation</li> <li>Confidence levels applied in determining the risk adjustment for non-financial risk</li> </ul> <p>We considered the valuation of Insurance contract liabilities balances to be a key audit matter in our audit of the financial statements because of the above assumptions and judgements applied in valuing the liabilities; and</p>	<p><b><i>Our audit procedures over insurance contract liabilities at year-end included:</i></b></p> <ul style="list-style-type: none"> <li>- With the assistance of our actuarial specialists, we assessed the valuation methodology and assumptions for compliance with IFRS 17 and approved Company accounting policies;</li> <li>- We challenged key assumptions and the methodologies and processes used to determine and update these assumptions through comparison with externally observable data and our assessment of the Company’s analysis of experience to date and allowance for future uncertainty. Our challenge focused on the following economic assumptions: <ul style="list-style-type: none"> <li>• Discount rates,</li> <li>• Level of claims inflation, and</li> <li>• Confidence levels applied in determining the risk adjustment for non-financial risk</li> </ul> </li> <li>- We assessed the appropriateness of management’s allocation of groups of contracts into the various measurement buckets as required by IFRS 17. Where management applied the premium allocation approach (PAA) to measure a group of contracts, we assessed compliance of these groups with the eligibility criteria in IFRS 17.</li> </ul>



**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF MAYFAIR INSURANCE TANZANIA LIMITED (CONTINUED)**

**Report on the Audit of the Financial Statements (Continued)**

*Key audit matters (continued)*

**Transition from IFRS 4 - Insurance contracts ('IFRS 4') to IFRS 17 - Insurance contracts ('IFRS 17'), effective 1 January 2023 and determination of Insurance Contract liabilities.**

Key audit matter	How the matter was addressed in our audit
<p><b><i>Determination of Insurance Contract liabilities (continued)</i></b></p> <ul style="list-style-type: none"> <li>The material nature of the Insurance contract liabilities balances on Company's statement of financial position and the resultant impact on the statement of comprehensive income for the year ended 31 December 2023.</li> </ul>	<p><b><i>Our audit procedures over insurance contract liabilities at year-end included:- (continued)</i></b></p> <ul style="list-style-type: none"> <li>We evaluated the accuracy of the risk adjustment, including calculation method, and its related release by support from our actuarial valuation specialist by conducting walkthroughs of the risk adjustment models and assessing the movement in claims experience and the concurrent changes on the risk adjustment factors;</li> <li>For the valuation of the liability for incurred claims (LIC) for PAA contracts across the Company, we assessed management's valuation of the balances based on internal actuarial's models.</li> <li>We assessed the adequacy of the assumptions applied by management, e.g., claims triangles, expected claims and lapses, expected premiums on insurance contracts, expected expenses as well as commission and charges. We also assessed the adequacy of the year-end valuation with, amongst others, reference to prior years and key historical company ratios.</li> <li>We evaluated whether the IFRS 17 specific disclosures in the Company's financial statements are adequate and in accordance with IFRS Accounting Standards.</li> </ul>



**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF MAYFAIR INSURANCE TANZANIA LIMITED (CONTINUED)**

**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 *Mayfair Insurance Tanzania Limited Report and Financial Statements for the year ended 31 December 2023*, 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 Accounting Standards 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.



**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF MAYFAIR INSURANCE TANZANIA LIMITED (CONTINUED)**

**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, solely based on our audit of the financial statements, that:

- in our opinion, proper accounting records have been kept by the Company;
- 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;
- directors' report is consistent with the financial statements; 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: 5 June 2024

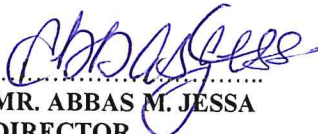
**MAYFAIR INSURANCE TANZANIA LIMITED**


**STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2023**

		2023	2022 Restated*	2021 Restated*
<b>Assets</b>				
Cash and bank balances	20	1,460,839	971,680	1,434,044
Financial investments				
– Government Securities	9	5,038,648	5,015,363	4,859,410
– Deposit with financial institutions	10	16,778,939	13,938,904	12,253,855
– Corporate Bonds	8	100,399	50,000	-
Insurance receivables	11	7,168,292	3,796,491	4,599,197
Other receivables	12	237,902	81,430	69,650
Current tax assets	23 (a) (ii)	105,817	236,267	267,153
Reinsurance contract assets	13(b)	15,551,408	14,017,996	11,274,406
Right -Of-Use Assets	6	120,468	141,294	282,588
Property and equipment	6	226,866	223,384	145,269
Intangible assets	7	139,796	21,157	80,057
Deferred tax	23	607,885	458,422	369,699
<b>Total assets</b>		<b>47,537,259</b>	<b>38,952,388</b>	<b>35,635,328</b>
<b>Liabilities</b>				
Payables arising from reinsurance arrangements	14	3,875,911	2,914,748	4,253,378
Insurance contract liabilities	13(a)	30,346,279	26,001,320	21,239,403
Lease Liability	24	129,817	269,701	398,987
Bank Overdraft	21	-	16,799	-
Other payables	15	2,061,246	1,050,058	1,390,077
<b>Total liabilities</b>		<b>36,413,253</b>	<b>30,252,626</b>	<b>27,281,845</b>
<b>Equity</b>				
Share capital	16(a)	4,000,000	4,000,000	4,000,000
Retained earnings		2,616,882	658,161	1,315,913
Other reserves	16(b)	4,507,124	4,041,601	3,037,570
<b>Total equity</b>		<b>11,124,006</b>	<b>8,699,762</b>	<b>8,353,483</b>
<b>Total liabilities and equity</b>		<b>47,537,259</b>	<b>38,952,388</b>	<b>35,635,328</b>

\*The comparatives have been restated due to adoption of IFRS 17 and IFRS 9, see Note 3

The financial statements on pages 20 to 83 were approved and authorised for issue by the Board of directors on 05/06/2024 and were signed by:

  
.....  
**MR. ABBAS M. JESSA**  
**DIRECTOR**

  
.....  
**MR. DAVID A. SAWE**  
**DIRECTOR**

Notes and related statements forming part of these financial statements appear on pages 24 to 83.

Report of the Auditor – pages 14 to 19.

**MAYFAIR INSURANCE TANZANIA LIMITED**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2023**

		2023	2022 Restated*
Insurance revenue	17	40,355,606	30,975,825
Insurance service expenses	13 (a)	(21,534,356)	(19,740,888)
Net expenses from reinsurance contracts	13 (b)	<u>(7,139,790)</u>	<u>(4,642,259)</u>
<b>Insurance service result</b>		<b>11,681,460</b>	<b>6,592,678</b>
Interest revenue calculated using the effective interest method	18	1,608,733	1,423,103
Net impairment loss on financial assets		<u>(333,504)</u>	<u>252,582</u>
<b>Investment return</b>		<b>1,275,229</b>	<b>1,675,685</b>
Net finance income from insurance contracts	13(a)	882,029	850,616
Net finance expenses from reinsurance contracts	13(b)	<u>(412,969)</u>	<u>(467,828)</u>
<b>Net financial result</b>		<b>13,425,749</b>	<b>8,651,151</b>
Other income	18	255,028	26,861
Other operating expenses	19	(9,592,495)	(6,546,165)
<b>Profit before tax</b>		<b>4,088,282</b>	<b>2,131,847</b>
Income tax expense	23 (a) (ii)	<u>(1,064,038)</u>	<u>(885,568)</u>
<b>Profit for the year</b>		<b>3,024,244</b>	<b>1,246,279</b>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b><u>3,024,244</u></b>	<b><u>1,246,279</u></b>

\*The comparatives have been restated due to adoption of IFRS 17 and IFRS 9, see Note 3.

Notes and related statements forming part of these financial statements appear on pages 24 to 83.

Report of the Auditor – pages 14 to 19.

**MAYFAIR INSURANCE TANZANIA LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Share capital TZS'000	Contingency reserves TZS'000	Retained earnings TZS'000	Total TZS'000
Balance as at 31 December 2021, as previously reported	4,000,000	3,037,570	2,346,343	9,383,913
Impact of initial application of IFRS 17, net of tax	-	-	(580,118)	(580,118)
Impact of initial application of IFRS 9, net of tax	-	-	(450,312)	(450,312)
<b>Restated balance as at 1 January 2022</b>	<b>4,000,000</b>	<b>3,037,570</b>	<b>1,315,913</b>	<b>8,353,483</b>
Profit for the year	-	-	1,246,279	1,246,279
Transfer to contingency reserves	-	1,004,031	(1,004,031)	-
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the year (restated)</b>	<b>-</b>	<b>1,004,031</b>	<b>242,248</b>	<b>1,246,279</b>
<b>Transactions with owners of the Company</b>				
Dividend Paid	-	-	(900,000)	(900,000)
<b>Total transactions with owners of the Company</b>	<b>-</b>	<b>-</b>	<b>(900,000)</b>	<b>(900,000)</b>
<b>Restated balance as at 31 December 2022</b>	<b>4,000,000</b>	<b>4,041,601</b>	<b>658,161</b>	<b>8,699,762</b>
<b>Balance as at 1 January 2023</b>	<b>4,000,000</b>	<b>4,041,601</b>	<b>658,161</b>	<b>8,699,762</b>
Profit for the year	-	-	3,024,244	3,024,244
Transfer to contingency reserves	-	465,523	(465,523)	-
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the year (restated)</b>	<b>-</b>	<b>465,523</b>	<b>2,558,721</b>	<b>3,024,244</b>
<b>Transactions with owners of the Company</b>				
Dividend Paid	-	-	(600,000)	(600,000)
<b>Total transactions with owners of the Company</b>	<b>-</b>	<b>-</b>	<b>(600,000)</b>	<b>(600,000)</b>
<b>Balance as at 31 December 2023</b>	<b>4,000,000</b>	<b>4,507,124</b>	<b>2,616,882</b>	<b>11,124,006</b>

\*Transfer to 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 24 to 82.  
Report of the Auditor – pages 14 to 19

**MAYFAIR INSURANCE TANZANIA LIMITED**

**STATEMENTS OF CASH FLOW  
FOR THE YEAR ENDED 31 DECEMBER 2023**

		2023	2022
	Notes	TZS'000	TZS'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit after tax		3,024,244	1,246,279
<b>Adjustments for:</b>			
- Charge/release of provision charge for impairment	25	333,504	(252,582)
- Depreciation of property and equipment	6	94,699	115,862
- Amortisation of computer software	7	9,381	365,103
- Amortisation of right of use assets	6	44,888	141,294
- Interest on lease liability	24	14,180	-
- (Gain)/loss on disposal of property and equipment		(15,000)	19,800
- Interest income on fixed deposits and treasury bond	18	(1,608,733)	(1,423,103)
- Corporate tax expense	23(a)(i)	1,064,038	885,568
- Unrealised exchange gain/(loss) on cash and cash equivalent		240,028	26,861
<b>Operating profit before working capital changes</b>		<b>3,201,229</b>	<b>1,125,082</b>
<b>Changes in:</b>			
- Insurance contract liabilities		4,344,958	4,761,917
- Insurance receivables		(3,840,109)	1,055,288
- Reinsurance contract asset		(1,533,412)	(2,743,590)
- Other receivables		(156,471)	(11,779)
- Payables arising out of reinsurance arrangements		961,163	(1,338,630)
- Other payables		1,011,188	(340,019)
<b>Cash generated from operating activities</b>		<b>3,988,546</b>	<b>2,508,269</b>
Payment of lease liability interest	24	(14,180)	(19,800)
Income tax paid	23 (a) (ii)	(890,060)	(943,405)
<b>Net cash generated from operating activities</b>		<b>3,084,306</b>	<b>1,545,064</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of items of property and equipment	6	(99,619)	(193,977)
Proceeds from sale of equipment		16,438	-
Acquisition of intangible assets	7	(128,020)	(306,203)
Investment in corporate bonds	8	(50,569)	(50,000)
Investment in government securities	9	-	(229,952)
Proceeds from government securities		(45,773)	74,000
Investment in deposits with financial institutions		(14,867,691)	(13,520,000)
Proceeds from deposits with financial institutions		14,137,604	11,952,080
Interest received from deposits		885,481	1,247,908
<b>Net cash used in investing activities</b>		<b>(152,149)</b>	<b>(1,026,144)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payment of lease liability principal	24	(160,640)	(129,286)
Dividend paid		(600,000)	(900,000)
<b>Net cash used in financing activities</b>		<b>(760,640)</b>	<b>(1,029,286)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>2,171,517</b>	<b>(510,366)</b>
<b>Movement in cash and cash equivalents during the year is as follows:</b>			
Cash and cash equivalents as at 1 January		2,884,848	3,422,075
Effect of movements in exchange rates on cash held		(240,028)	(26,861)
<b>Cash and Cash equivalent as at 31 December</b>	20	<b>4,816,337</b>	<b>2,884,848</b>

Notes and related statements forming part of these financial statements appear on pages 24 to 82.  
Report of the Auditor – Pages 14 to 19.

## MAYFAIR INSURANCE TANZANIA LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

#### 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 2023. The addresses of its registered office and principal place of business are disclosed in the corporate information page of this report. The Company is a licenced insurer and underwrites general insurance business.

#### 2. BASIS OF PREPARATION

##### (a) Statement of compliance

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

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

##### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for otherwise stated in the significant accounting policies. The significant accounting policies are summarised 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, assumptions and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of 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 accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 4.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023

3. MATERIAL ACCOUNTING POLICIES

The material accounting policies adopted in the preparation of these financial statements are stated below:

(a) Insurance and reinsurance contracts

*Classification*

Contracts under which the Company accepts significant insurance risk are classified as insurance contracts. Contracts held by the Company under which it transfers significant insurance risk related to underlying insurance contracts are classified as reinsurance contracts. Insurance and reinsurance contracts also expose the Company to financial risk. The Company does not accept insurance risk from other insurers.

Insurance contracts may be issued and reinsurance contracts may be initiated by the Company or may be acquired in a business combination or in a transfer of contracts that do not form a business. All references in these accounting policies to 'insurance contracts' and 'reinsurance contracts' include contracts issued, initiated or acquired by the Company, unless otherwise stated.

Insurance contracts are classified as direct participating contracts or contracts without direct participation features. Direct participating contracts are contracts for which, at inception:

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- the Company expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- the Company expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

All other insurance contracts and all reinsurance contracts are classified as contracts without direct participation features. Some of these contracts are measured under the Premium Allocation Approach) PAA.

(i) *Separating components from insurance and reinsurance contracts*

At inception, the Company separates the following components from an insurance or reinsurance contract and accounts for them as if they were stand-alone financial instruments:

- derivatives embedded in the contract whose economic characteristics and risks are not closely related to those of the host contract, and whose terms would not meet the definition of an insurance or reinsurance contract as a stand-alone instrument; and
- distinct investment components: i.e. investment components that are not highly inter-related with the insurance components and for which contracts with equivalent terms are sold, or could be sold, separately in the same market or the same jurisdiction.

After separating any financial instrument components, the Company separates any promises to transfer to policyholders distinct goods or services other than insurance coverage and investment services and accounts for them as separate contracts with customers (i.e. not as insurance contracts). A good or service is distinct if the policyholder can benefit from it either on its own or with other resources that are readily available to the policyholder. A good or service is not distinct and is accounted for together with the insurance component if the cash flows and risks associated with the good or service are highly inter-related with the cash flows and risks associated with the insurance component, and the Company provides a significant service of integrating the good or service with the insurance component.

## MAYFAIR INSURANCE TANZANIA LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

#### 3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

##### (a) Insurance and reinsurance contracts (Continued)

##### (ii) *Aggregation and recognition of insurance and reinsurance contracts*

###### *Insurance contracts*

Insurance contracts are aggregated into groups for measurement purposes. Groups of insurance contracts are determined by identifying portfolios of insurance contracts, each comprising contracts subject to similar risks and managed together, and dividing each portfolio into annual cohorts (i.e. by year of issue) and each annual cohort into three groups based on the profitability of contracts:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the annual cohort.

An insurance contract issued by the Company is recognised from the earliest of:

- the beginning of its coverage period (i.e. the period during which the Group provides services in respect of any premiums within the boundary of the contract);
- when the first payment from the policyholder becomes due or, if there is no contractual due date, when it is received from the policyholder; and
- when facts and circumstances indicate that the contract is onerous.

When the contract is recognised, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts are added. Groups of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the group.

###### *Reinsurance contracts*

Groups of reinsurance contracts are established such that each group comprises a single contract.

Some reinsurance contracts provide cover for underlying contracts that are included in different groups. However, the Company concludes that the reinsurance contract's legal form of a single contract reflects the substance of the Company's contractual rights and obligations, considering that the different covers lapse together and are not sold separately. As a result, the reinsurance contract is not separated into multiple insurance components that relate to different underlying groups.

A group of reinsurance contracts is recognised on the following date.

- *Reinsurance contracts initiated by the Company that provide proportionate coverage:* The date on which any underlying insurance contract is initially recognised. This applies to the Company's quota share reinsurance contracts.
- *Other reinsurance contracts initiated by the Company:* The beginning of the coverage period of the group of reinsurance contracts. However, if the Company recognises an onerous group of underlying insurance contracts on an earlier date and the related reinsurance contract was entered into before that earlier date, then the group of reinsurance contracts is recognised on that earlier date (see 'Reinsurance of onerous underlying insurance contracts' under (v)). This applies to the Company's excess of loss reinsurance contracts.
- *Reinsurance contracts acquired:* The date of acquisition.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(a) Insurance and reinsurance contracts (Continued)

(iii) *Insurance acquisition cash flows*

The Company includes insurance acquisition cash flows in the measurement of a group of insurance contracts if they are directly attributable to either the individual contracts in a group, the group itself or the portfolio of insurance contracts to which the group belongs. It estimates, at a portfolio level, insurance acquisition cash flows not directly attributable to the group but directly attributable to the portfolio. The Company then allocates them to the group of newly written and renewed contracts on a systematic and rational basis.

The Company capitalises the insurance acquisition cash flows by including it as a reduction in the liability for remaining coverage and amortising the cash flows over the coverage period of the contracts.

*Changes in fulfilment cash flows*

At each reporting date, if facts and circumstances indicate that an asset for insurance acquisition cash flows may be impaired, then the Company:

- (a) recognises an impairment loss in profit or loss so that the carrying amount of the asset does not exceed the expected net cash inflow for the related group; and
- (b) if the asset relates to future renewals, recognises an impairment loss in profit or loss to the extent that it expects those insurance acquisition cash flows to exceed the net cash inflow for the expected renewals and this excess has not already been recognised as an impairment loss under (a).

The Company reverses any impairment losses in profit or loss and increases the carrying amount of the asset to the extent that the impairment conditions have improved.

(iv) *Contract boundaries*

The measurement of a group of insurance contracts includes all future cash flows expected to arise within the boundary of each contract in the group.

For insurance contracts; Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay premiums or has a substantive obligation to provide services (including insurance coverage and any investment services). A substantive obligation to provide services ends when:

- the Company has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
- the Company has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of the premiums up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

For reinsurance contracts; Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer.

A substantive right to receive services from the reinsurer ends when the reinsurer:

- has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or

## MAYFAIR INSURANCE TANZANIA LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

#### 3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

##### (a) Insurance and reinsurance contracts (Continued)

##### (iv) *Contract boundaries (Continued)*

— has a substantive right to terminate the coverage.

The contract boundary is reassessed at each reporting date to include the effect of changes in circumstances on the Company's substantive rights and obligations and, therefore, may change over time.

##### (v) *Measurement – Contracts measured under the premium allocation approach (PAA)*

The Company applies the PAA to the measurement of Property, Marine, Aviation, Accident, motor and Liability insurance contracts with a coverage period of each contract in the group of one year or less.

On initial recognition, the Company measures the liability for remaining coverage (LRC) at the amount of premiums received on initial recognition minus any insurance acquisition cash flows allocated to the group at that date, and adjusted for any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the Company.

Premiums due to the Company for insurance contract services already provided in the period but not yet received at the end of the reporting period are included in the LRC. The carrying amount of the LRC at the end of each subsequent reporting period represents the carrying amount at the start of the reporting period adjusted for the premiums received in the period and the amount recognised as insurance revenue for insurance contract services provided in that period.

The Company has determined that there is no significant financing component for insurance contracts with a coverage period of one year or less. The Company does not discount the liability for remaining coverage to reflect the time value of money and financial risk for such insurance contracts.

The Company also applies the PAA to the all - Proportional and Non-Proportional treaties. The coverage period of such reinsurance contracts held is 12 months or less. As the coverage period exceeds one year, the Company at initial recognition assessed that the PAA is a reasonable approximation of the General Model.

Applying the PAA, the insurance revenue is measured at the amount allocated from the expected premium receipts. The allocation is done on the basis of the passage of time. The Company applies a methodology of daily release of LRC for expired time judgement in determining the basis of allocation.

When facts and circumstances indicate that a group of contracts has become onerous, the Company performs a test for onerousness. If the amount of the fulfilment cash flows exceeds the carrying amount of the LRC, the Company recognises the amount of the difference as a loss in profit or loss and increases the LRC for the corresponding amount.

The Company applies the same accounting policies to measure a group of reinsurance contracts, adapted where necessary to reflect features that differ from those of insurance contracts.

If a loss-recovery component is created for a group of reinsurance contracts measured under the PAA, then the Company adjusts the carrying amount of the asset for remaining coverage.

##### (vi) *Derecognition and contract modification*

The Company derecognises a contract when it is extinguished – i.e. when the specified obligations in the contract expire or are discharged or cancelled.

## MAYFAIR INSURANCE TANZANIA LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

#### 3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

##### (a) Insurance and reinsurance contracts (Continued)

###### (vi) *Derecognition and contract modification (Continued)*

The Company also derecognises a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognised. If a contract modification does not result in derecognition, then the Company treats the changes in cash flows caused by the modification as changes in estimates of fulfilment cash flows.

###### (vii) *Presentation*

The Company presents separately in the statement of financial position the carrying amount of portfolios of insurance contracts that are assets and those that are liabilities, and the portfolios of reinsurance contracts held that are assets and those that are liabilities.

The Company disaggregates the amounts recognised in the statement of profit or loss and other comprehensive income into an insurance service result sub-total that comprises insurance revenue and insurance service expenses and, separately from the insurance service result, the 'net insurance finance income or expenses' sub-total. The Company has voluntarily included the net insurance finance income or expenses line in another sub-total: net insurance and investment result, which also includes the income from all the assets backing the Company's insurance liabilities.

The Company includes any assets for insurance acquisition cash flows recognised before the corresponding groups of insurance contracts are recognised in the carrying amount of the related portfolios of insurance contracts issued.

The Company does not disaggregate the change in risk adjustment for non-financial risk between a financial and non- financial portion. It includes the entire change as part of the insurance service result.

###### (viii) *Insurance revenue*

As the Company provides insurance services under a group of insurance contracts issued, it reduces its LRC and recognises insurance revenue, which is measured at the amount of consideration the Company expects to be entitled to in exchange for those services.

When applying the PAA, the Company recognises insurance revenue for the period based on the passage of time by allocating expected premium receipts including premium experience adjustments to each period of service.

###### (ix) *Insurance service expenses*

Insurance service expenses arising from insurance contracts are recognised in profit or loss generally as they are incurred. They exclude repayments of investment components and comprise the following items.

- Incurred claims and other insurance service expenses;
- Amortisation of insurance acquisition cash flows;
- Losses on onerous contracts and reversals of such losses;
- Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein;
- Impairment losses on assets for insurance acquisition cash flows and reversals of such impairment losses.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(a) Insurance and reinsurance contracts (Continued)

(x) *Income or expenses from reinsurance contracts held*

The Company presents income or expenses from a group of reinsurance contracts held and reinsurance finance income or expenses in profit or loss for the period separately. Income or expenses from reinsurance contracts held are split into the following two amounts:

- Amount recovered from reinsurers
- An allocation of the premiums paid

The Company presents cash flows that are contingent on claims as part of the amount recovered from reinsurers. Ceding commissions that are not contingent on claims of the underlying contracts are presented as a deduction in the premiums to be paid to the reinsurer which is then allocated to profit or loss.

The Company establishes a loss recovery component of the asset for the remaining coverage for a group of insurance contracts held. This depicts the recovery of losses recognised on the initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to a group.

- Reversals of loss recovery component to the extent those reversals are not changes in the fulfilment cash flows of the group of reinsurance contracts held.
- Allocations of the loss recovery component against the amounts recovered from reinsurers reported in line with the associated reinsured incurred claims or expenses.

(b) Other Income

Foreign exchange gains and losses on financial assets and financial liabilities are reported on a net basis as either net foreign exchange gain or loss depending on whether foreign currency movements result in a net gain or net loss position.

(c) 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.

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.

**MAYFAIR INSURANCE TANZANIA LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**3. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**(c) Fair value measurement (Continued)**

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) Financial instruments**

Financial assets and financial liabilities are recognised when the Company becomes party to the contractual provision of the instrument.

Financial assets and financial liabilities are initially measured at fair value plus or minus, for an item not a fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

*Financial assets*

Financial assets are classified into the following specified categories: financial assets ‘at amortized cost’, 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’).

*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 profit or loss (FVTPL)*

Other financial assets that do not fall into the category above is measured at FVTPL.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of financial asset and for allocating interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or where appropriate, a shorter period.

**MAYFAIR INSURANCE TANZANIA LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**3. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**(d) Financial instruments (continued)**

*Effective interest method (Continued)*

Income is recognised on an effective interest basis for debt instruments other than those financial assets at fair value through other comprehensive income and those at FVTPL.

*Impairment of financial assets*

The Company assesses for indicators of impairment at the end of each reporting period. Financial assets are impaired based on expected credit loss (ECL) 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. A financial asset is impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. These includes significant financial difficulty of the debtor, breach of contract such as a default or past-due event, the debtor entering bankruptcy or other financial reorganisation becoming probable; or the disappearance of an active market for a security because of financial difficulties.

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 ECL model applies to financial assets measured at amortised cost and at fair value through other comprehensive income, lease receivables and certain loan commitments as well as financial guarantee contracts.

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.

*Derecognition of financial assets*

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

*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 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(d) Financial instruments (continued)

*Other financial liabilities*

Other financial liabilities, including borrowings, 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 for allocating interest expense over the relevant period.

*Derecognition of financial liabilities*

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.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances. For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in bank and other short term highly liquid investments with maturities of three months or less from the date of acquisition and bank overdrafts.

(f) Share capital

Ordinary shares are classified as equity. 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 regard to the Company's residual assets.

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(g) Property and equipment (Continued)

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) 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.

iii) Impairment of intangible assets

At end of each reporting period, the Company reviews carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss (if any).

If the recoverable amount of an asset is estimated to be less than carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(i) Leases (Continued)

- *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 lease term of the building is five (5) years.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date 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. The incremental borrowing rate of the Company is 8% per annum. 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.

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.

The lease term for these leases are five years and the Company has the right of the renewal. The Company assess these assumptions at each reporting period.

## MAYFAIR INSURANCE TANZANIA LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

#### 3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

##### (i) Leases (Continued)

###### *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 payments associated with these leases as an expense on a straight-line basis over the lease term.

##### (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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

There are two types of temporary differences: taxable temporary differences and deductible temporary differences. Taxable temporary differences are timing differences such as decrease in provision and tax losses which cause taxable income in current period to be lower than pre-tax accounting income subject to taxes. The difference between the income tax payable and the pre-tax accounting income equals the deferred tax liability.

Deductible temporary differences are differences such as increase in provisions, depreciation of plant, property and equipment which cause the taxable income and hence income tax payable in current period to be higher than the pre-tax accounting income. They result in deferred tax asset which is expected to be utilized in future periods.

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). The Company's obligations in respect of contributions to such funds are 10% of the employees' gross emoluments in respect of NSSF members.

Contributions to this pension fund is recognised as an expense in the period the employees render the related services.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

**o) Employees benefits (Continued)**

**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.

**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 require 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.

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

The following new standards and interpretations have been adopted and applied by the Company for the first time in this financial year ended 31 December 2023

**- Relevant new and amended standards adopted by the Company**

The following new standards and interpretations have been adopted and applied by the Company for the first time in this financial year ended 31 December 2023.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

r) New standards, amendments and interpretations effective and adopted during the year (Continued)

- Changes in significant accounting policies

A. IFRS 17 - Insurance Contracts

The Company adopted IFRS 17 including any consequential amendments to other standards as issued by International Accounting Standard Board (IASB) in 2017 with a date of transition of 1 January 2023. This standard has brought significant changes to the accounting for insurance and reinsurance contracts. As a result, the Company has restated certain comparative amounts for the year ended 31 December 2022 and presented a third statement of financial position as at 1 January 2022. IFRS 17 has replaced IFRS 4 Insurance Contracts.

(i) Recognition, measurement, and presentation of insurance contracts

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. It introduces a model that measures groups of contracts based on the Company's estimates of the present value of future cash flows that are expected to arise as the Company fulfils the contracts, an explicit risk adjustment for non-financial risk and a CSM.

Under IFRS 17, insurance revenue in each reporting period represents the changes in the liabilities for remaining coverage that relate to services for which the Company expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows. In addition, investment components are no longer included in insurance revenue and insurance service expenses.

The Company no longer applies shadow accounting to insurance-related assets and liabilities. Insurance finance income and expenses are disaggregated between profit or loss and OCI for non-life contracts, are presented separately from insurance revenue and insurance service expenses.

The Company applies the PAA to simplify the measurement of contracts in the non-life segment, except for groups of acquired contracts that do not qualify for the PAA. When measuring liabilities for remaining coverage, the PAA is similar to the Company's previous accounting treatment. However, when measuring liabilities for incurred claims, the Company now discounts the future cash flows (unless they are expected to occur in one year or less from the date on which the claims are incurred) and includes an explicit risk adjustment for non-financial risk.

Previously, all acquisition costs were recognised and presented as separate assets from the related insurance contracts ('deferred acquisition costs') until those costs were included in profit or loss and OCI. Under IFRS 17, only insurance acquisition cash flows that arise before the recognition of the related insurance contracts are recognised as separate assets and are tested for recoverability. These assets are presented in the carrying amount of the related portfolio of contracts and are derecognised once the related contracts have been recognised.

Income and expenses from reinsurance contracts other than insurance finance income and expenses are now presented as a single net amount in profit or loss. Previously, amounts recovered from reinsurers and reinsurance expenses were presented separately.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

r) New standards, amendments and interpretations effective and adopted during the year (Continued)

- *Relevant new and amended standards adopted by the Company (Continued)*
- Changes in significant accounting policies (continued)

A. IFRS 17 - Insurance Contracts (Continued)

(ii) Transition

Changes in accounting policies resulting from the adoption of IFRS 17 have been applied using a full retrospective approach to the extent practicable. Under the full retrospective approach, at 1 January 2022 the Company:

- identified, recognised and measured each group of insurance and reinsurance contracts as if IFRS 17 had always been applied;
- identified, recognised and measured any assets for insurance acquisition cash flows as if IFRS 17 had always been applied,
- derecognised previously reported balances that would not have existed if IFRS 17 had always been applied. These included some deferred acquisition costs for insurance contracts, intangible assets related to insurance contracts (previously referred to as 'value of business acquired'), insurance receivables and payables, and provisions for levies that are attributable to existing insurance contracts. Under IFRS 17, they are included in the measurement of the insurance contracts; and
- recognised any resulting net difference in equity.

The Company has applied the transition provisions in IFRS 17 and has not disclosed the impact of the adoption of IFRS 17 on each financial statement line item. The effects of adopting IFRS 17 on the financial statements at 1 January 2022 are presented in the statement of changes in equity.

B. IFRS 9 - Financial Instruments

The Company has fully adopted IFRS 9 with a date of transition of 1 January 2023, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements.

As permitted by the transitional provisions of IFRS 9, the Company elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and financial liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period.

Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the year.

The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments as *IFRS 7 'Financial Instruments: Disclosures'*.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Company

**MAYFAIR INSURANCE TANZANIA LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**3. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**r) New standards, amendments and interpretations effective and adopted during the year  
(Continued)**

**- Changes in significant accounting policies (continued)**

***B. IFRS 9 - Financial Instruments (Continued)***

**a) Classification and measurement of financial instruments**

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 are compared as follows:

	<b>Original classification under IAS 39</b>	<b>New classification under IFRS 9</b>	<b>Original carrying amount under IAS 39</b>	<b>New carrying amount under IFRS 9</b>
<b>Financial assets</b>				
Loan receivables (staff) (Note 12)	Held to maturity	Amortised cost	40,877	40,877
Receivables arising out of direct & reinsurance arrangements (Note 11)	Held to maturity	Amortised cost	2,901,477	2,405,333
Government securities (Note 9)	Held to maturity	Amortised cost	5,065,716	4,993,783
Corporate Bonds (Note 8)	Held to Maturity	Amortised cost	50,000	50,000
Deposits with financial institutions (Note 10)	Held to maturity	Amortised cost	13,991,564	13,916,337
Cash and bank balances (Note 20)	Held to maturity	Amortised cost	971,680	971,680
<b>Total financial assets</b>			<b>23,021,314</b>	<b>22,378,010</b>

**b) Effects of initial application**

**Reconciliation of statement of financial position balances from IAS 39 to IFRS 9:**

The Company performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics.

The following table reconciles the carrying amount of financial assets, from their previous measurement categories in accordance with IAS 39 to the new measurement categories upon transition to IFRS 9 on 1 January 2023:

MAYFAIR INSURANCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

r) New standards, amendments and interpretations effective and adopted during the year  
(Continued)

- Changes in significant accounting policies (continued)

B. IFRS 9 - Financial Instruments (Continued)

b) Effects of initial application (continued)

Reconciliation of statement of financial position balances from IAS 39 to IFRS 9: (Continued)

	Carrying amount 31 December 2022 under IAS 39 TZS' 000	Reclassifications TZS' 000	Remeasurements (ECL allowance) TZS' 000	Carrying amount 1 January 2023 under IFRS 9 TZS' 000
Financial assets at amortised cost				
Cash balances (Note 20)	971,680	-	-	971,680
Deposits with financial institutions (Note 10)	13,991,564	-	(75,227)	13,916,337
Government securities (Note 9)	5,065,716	-	(71,933)	4,993,783
Corporate Bonds (Note 8)	50,000	-	-	50,000
Receivables arising out of direct and reinsurance arrangements (Note 11)	2,901,477	-	(496,144)	2,405,333
Loans receivable (staff) (Note 12)	40,877	-	-	40,877
<b>Total financial assets measured at amortised cost</b>	<b>23,021,314</b>	<b>-</b>	<b>(643,304)</b>	<b>22,378,010</b>

b) Reconciliation of impairment allowance balance from IAS 39 to IFRS 9

The following table reconciles the prior period's closing impairment allowance measured in accordance with IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected loss model at 1 January 2023:

Financial asset	Impairment under IAS 39 TZS' 000	Reclassifications TZS' 000	Remeasurements TZS' 000	Expected Credit Loss under IFRS 9 TZS' 000
Cash and bank balances (Note 20)	-	-	-	-
Deposits with financial institutions (Note 10)	-	-	75,227	75,227
Receivables arising from direct and reinsurance arrangements (Note 11)	112,628	-	496,144	608,772
Loans receivable (staff) (Note 12)	-	-	-	-
Government securities at amortised cost (Note 9)	-	-	71,933	71,933
Corporate bonds (Note 8)	-	-	-	-
<b>Total</b>	<b>112,628</b>	<b>-</b>	<b>643,304</b>	<b>755,932</b>

**MAYFAIR INSURANCE TANZANIA LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**3. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

r) New standards, amendments and interpretations effective and adopted during the year  
(Continued)

- Changes in *significant* accounting policies (continued)

**B. IFRS 9 - Financial Instruments (Continued)**

b) Reconciliation of impairment allowance balance from IAS 39 to IFRS 9 (Continued)

In addition to IFRS 17, the Company has also adopted the following standards and interpretations applicable for the first time to their annual reporting commencing 1 January 2023.

<b>Description</b>	<b>Effective date</b>	<b>Executive summary</b>
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	01 Jan 2023	To improve accounting policy disclosures so that they provide more useful information to investors and other primary users of the financial statements; and distinguish changes in accounting estimates from changes in accounting policies.
Definition of Accounting Estimate (Amendments to IAS 8)	01 Jan 2023	Accounting estimates are defined as “monetary amounts in financial statements that are subject to measurement uncertainty”.
Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes	01 Jan 2023	"Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Proposed amendments to IAS 12)" that aim at clarifying how companies account for deferred tax on leases and decommissioning obligations.
International Tax Reform – pillar two model rules – amendments to IAS 12	23 May 2023	The IASB has amended IAS 12 to introduce a temporary mandatory relief from accounting for deferred tax that arises from legislation implementing the GloBE model rules. Under the relief, companies are effectively exempt from providing for and disclosing deferred tax related to top-up tax. However, they need to disclose that they have applied the relief.
Classification of liabilities as current or non-current (Amendments to IAS 1)	01 Jan 2024	The amendments clarified how an entity classifies debt and other financial liabilities as current or non-current in particular circumstances.
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	01 Jan 2024	Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains
Non-current Liabilities with Covenants (Amendments to IAS 1)	01 Jan 2024	To clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

## MAYFAIR INSURANCE TANZANIA LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

#### 3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

##### r) New standards, amendments and interpretations effective and adopted during the year (Continued)

##### - *New and amended standards not yet adopted by the Company*

The following standards and interpretations have been issued but were not mandatory for annual reporting periods ending 31 December 2023.

Description	Effective date	Executive summary
Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7	01 Jan 2024	The amendments introduce two new disclosure objectives – one in IAS 7 and another in IFRS 7 – for a company to provide information about its supplier finance arrangements that would enable users (investors) to assess the effects of these arrangements on the company’s liabilities and cash flows, and the company’s exposure to liquidity risk.
IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures	01 Jan 2024	The standards are effective from 1 January 2024, but it will be for individual jurisdictions to decide whether and when to adopt.
<i>Lack of Exchangeability – Amendments to IAS 21</i>	01 Jan 2024	Under the amendments, companies will need to provide new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements.

The Directors do not plan to apply the above standards, until they become effective. Based on their assessment of the potential impact of application the above are not expected to have a significant impact on the Company’s financial statements.

There are no other standards that are not yet effective that would be expected to have a material impact on the entity in the current or future reporting periods and on near future transactions.

#### 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF UNCERTAINTIES

##### *Carrying amounts of assets and liabilities*

In the application of the Company’s accounting policies described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision in future periods if the revision affects both current and future periods.

**4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF UNCERTAINTIES  
(CONTINUED)**

*Level of aggregation of insurance and reinsurance contracts (Continued)*

The determination of whether a contract or a group of contracts is onerous is based on the expectations as at the date of initial recognition, with fulfilment cash flow expectations determined on a probability-weighted basis. The Company determines the appropriate level at which reasonable and supportable information is available to assess whether the contracts are onerous at initial recognition and whether the contracts not onerous at initial recognition have a significant possibility of becoming onerous subsequently. The Company applies significant judgement in determining at what level of granularity the Company has sufficient information to conclude that all contracts within a set will be in the same group.

*Valuation of liabilities for insurance contracts (outstanding claims)*

Estimates are made for both expected ultimate costs of claims reported and claims incurred but not reported (IBNR) at the end of the reporting date. The estimate of IBNR is generally subject to a greater degree of uncertainty than that for reported claims. The liabilities relating to insurance contracts are measured in accordance with the financial soundness valuation (FSV) (such as the ultimate cost of settling claims is estimated using a range of loss reserving techniques – e.g. the chain-ladder and Bornhuetter- Ferguson methods) and 20% of outstanding claims reported at the period end as required by Tanzania Insurance Regulations. The amount recognised is the greater of amount obtained from financial soundness valuation method (actuarial) and 20% of outstanding claims reported at the period end as required by Tanzania Insurance Regulations. The main assumption underlying techniques applied in the estimation of liability is that the Company's past claims experience can be used to project future claims development and hence ultimate costs. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future (for example to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all uncertainties involved.

**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:

**MAYFAIR INSURANCE TANZANIA LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**5. DETERMINATION OF FAIR VALUES (CONTINUED)**

**(a) Insurance receivables and other receivables**

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

**(b) Investments**

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.

**(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.

MAYFAIR INSURANCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023

5. DETERMINATION OF FAIR VALUES (CONTINUED)

The following table analyses the Company's financial assets and financial liabilities (by class) not measured at fair value at 31 December 2023 and 31 December 2022. Except for government securities which are long term, the carrying amount of these financial assets and liabilities reasonably approximate their fair value due to their short-term nature.

	Level 1 TZS'000	Level 2 TZS'000	Level 3 TZS'000	Financial asset at amortised cost TZS'000	Financial liabilities at amortised cost TZS'000	Total Carrying amount TZS'000
<b>31 December 2023</b>						
<b>Financial assets:</b>						
Investments in government securities	-	5,717,141	-	5,038,648	-	5,038,648
Deposits with financial institutions	-	-	-	16,778,939	-	16,778,939
Reinsurance contract assets	-	-	-	15,551,409	-	15,551,409
Receivables arising out of direct insurance arrangements	-	-	-	4,317,790	-	4,317,790
Receivables arising out of reinsurance arrangements	-	-	-	2,850,502	-	2,850,502
Other receivables (excluding prepayments)	-	-	-	197,348	-	197,348
Cash and cash equivalents	-	-	-	1,458,680	-	1,458,680
<b>Total</b>	-	<b>5,717,141</b>	-	<b>46,193,316</b>	-	<b>46,193,316</b>
<b>Financial liabilities</b>						
Insurance contract liabilities	-	-	-	30,346,279	-	30,346,279
Payables arising from re-insurance arrangements	-	-	-	3,875,911	-	3,875,911
Other payables	-	-	-	2,061,246	-	2,061,246
Bank overdraft	-	-	-	-	-	-
<b>Total</b>	-	-	-	<b>36,283,436</b>	-	<b>36,283,436</b>

MAYFAIR INSURANCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023

5. DETERMINATION OF FAIR VALUES (CONTINUED)

	Level 1 TZS'000	Level 2 TZS'000	Level 3 TZS'000	Financial asset at amortised cost TZS'000	Financial liabilities at amortised cost TZS'000	Total Carrying amount TZS'000
<b>31 December 2022</b>						
<b>Financial assets:</b>						
Investments in government securities	-	6,135,963	-	5,015,363	-	5,015,363
Deposits with financial institutions	-	-	-	13,938,904	-	13,938,904
Reinsurance contract assets	-	-	-	14,017,996	-	14,017,996
Receivables arising out of direct insurance arrangements	-	-	-	1,448,433	-	1,448,433
Receivables arising out of reinsurance arrangements	-	-	-	2,348,058	-	2,348,058
Other receivables (excluding prepayments)	-	-	-	52,488	-	52,488
Cash and cash equivalents	-	-	-	969,971	-	969,971
<b>Total</b>	-	<b>6,135,963</b>	-	<b>37,791,213</b>	-	<b>37,791,213</b>
<b>Financial liabilities</b>						
Insurance contract liabilities	-	-	-	26,001,320	-	26,001,320
Payables arising from re-insurance arrangements	-	-	-	2,914,749	-	2,914,749
Other payables	-	-	-	1,050,058	-	1,050,058
Bank overdraft	-	-	-	16,799	-	16,799
<b>Total</b>	-	-	-	<b>29,982,926</b>	-	<b>29,982,926</b>

MAYFAIR INSURANCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023

6. RIGHT OF USE ASSETS, PROPERTY AND EQUIPMENT

Cost	Motor vehicles TZS'000	Computer equipment TZS'000	Furniture, fittings & office equipment TZS'000	Right of Use Asset TZS'000	Total TZS'000
At 1 January 2022	67,064	218,297	466,984	706,470	1,458,815
Additions	122,000	49,413	22,564	-	193,977
<b>At 31 December 2022</b>	<b>189,064</b>	<b>267,710</b>	<b>489,548</b>	<b>706,470</b>	<b>1,652,792</b>
At 1 January 2023	189,064	267,710	489,548	706,470	1,652,792
Additions	23,602	29,194	46,823	24,062	123,681
Disposal	(37,000)	-	(11,340)	-	(48,340)
<b>At 31 December 2023</b>	<b>175,666</b>	<b>296,904</b>	<b>525,031</b>	<b>730,532</b>	<b>1,728,133</b>
<b>Depreciation</b>					
At 1 January 2022	56,623	181,788	368,665	423,882	1,030,958
Charge for the year	4,905	37,362	73,595	141,294	257,156
<b>At 31 December 2022</b>	<b>61,528</b>	<b>219,150</b>	<b>442,260</b>	<b>565,176</b>	<b>1,288,114</b>
At 1 January 2023	61,528	219,150	442,260	565,176	1,288,114
Charge for the year	29,095	33,337	32,267	44,888	139,587
Disposal	(37,000)	-	(9,902)	-	(46,902)
<b>At 31 December 2023</b>	<b>53,623</b>	<b>252,487</b>	<b>464,625</b>	<b>610,064</b>	<b>1,380,799</b>
<b>Carrying amount</b>					
At 31 December 2022	127,536	48,560	47,288	141,294	364,678
At 31 December 2023	122,043	44,417	60,406	120,468	347,334

Fully depreciated assets as at 31 December 2023 had a cost of TZS 555.6 million (2022: TZS 163.3). The notional annual depreciation on these assets would have been TZS 131.2 million (2022: TZS 49.5).

MAYFAIR INSURANCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023

7. INTANGIBLE ASSETS

	2023	2022
	TZS'000	TZS'000
<b>Cost</b>		
At 1 January	960,832	654,629
Additions	128,020	306,203
<b>At 31 December</b>	<u><u>1,088,852</u></u>	<u><u>960,832</u></u>
<b>Amortisation</b>		
At 1 January	(939,675)	(574,572)
Amortisation charge	(9,381)	(365,103)
<b>At 31 December</b>	<u><u>(949,056)</u></u>	<u><u>(939,675)</u></u>
<b>Carrying amount</b>	<u><u>139,796</u></u>	<u><u>21,157</u></u>

Intangible assets relate to computer software.

8. CORPORATE BOND

	2023	2022
	TZS'000	TZS'000
Corporate Bonds	100,569	50,000
Expected credit loss	(170)	-
	<u><u>100,399</u></u>	<u><u>50,000</u></u>

During the year the Company purchased a bond from Iman Finance Limited as issued on 12 December 2023, with a face value of TZS 100,000,000 and accruing interest at a rate of 11.5%. Accrued interest during the year amounted to TZS 399,000 (2022: TZS 312,500).

9. INVESTMENT IN GOVERNMENT SECURITIES

	2023	2022
	TZS'000	TZS'000
Treasury bonds	5,111,489	5,065,716
Expected credit loss	(72,841)	(50,353)
	<u><u>5,038,648</u></u>	<u><u>5,015,363</u></u>
<b>Maturity analysis:</b>		
Over one year	<u><u>5,111,489</u></u>	<u><u>5,065,716</u></u>
<b>Movement: Gross</b>		
Balance as at 1 January	5,065,716	4,909,764
Purchases	45,773	229,952
Matured	-	(74,000)
<b>Balance as at 31 December</b>	<u><u>5,111,489</u></u>	<u><u>5,065,716</u></u>

MAYFAIR INSURANCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023

9. INVESTMENT IN GOVERNMENT SECURITIES (CONTINUED)

	2023 TZS'000	2022 TZS'000
<b>Movement: ECL</b>		
Balance as at 1 January	(50,353)	(50,353)
Charge for the period	<u>(22,488)</u>	<u>-</u>
<b>Balance as at 31 December</b>	<b><u>(72,841)</u></b>	<b><u>(50,353)</u></b>

10. DEPOSITS WITH FINANCIAL INSTITUTIONS

Call deposit accounts	3,355,498	1,929,966
Fixed deposit accounts	13,512,326	12,061,597
Expected credit loss	<u>(88,885)</u>	<u>(52,659)</u>
	<b><u>16,778,939</u></b>	<b><u>13,938,904</u></b>
<b>Maturity analysis:</b>		
Call deposit within 90 days from acquisition (Note 20)	3,355,498	1,929,967
Fixed deposits within 90 days from acquisition	7,774,414	2,626,451
Fixed deposits over 90 days but within a year	<u>5,737,912</u>	<u>9,435,145</u>
	<b><u>16,867,824</u></b>	<b><u>13,991,563</u></b>

11. INSURANCE RECEIVABLES

Direct clients	269,919	37,516
Agents and brokers	4,465,488	1,523,545
Less: Expected credit loss	<u>(417,617)</u>	<u>(112,628)</u>
	<b><u>4,317,790</u></b>	<b><u>1,448,433</u></b>
Receivables arising out of reinsurance arrangements	3,360,426	2,695,358
Less: Expected credit loss	<u>(509,924)</u>	<u>(347,300)</u>
	<b><u>7,168,292</u></b>	<b><u>3,796,491</u></b>

12. OTHER RECEIVABLES

Staff debtors	73,262	52,488
Prepayment	40,552	28,942
Deposit for Energy Consortium investment pool *	<u>124,088</u>	<u>-</u>
	<b><u>237,902</u></b>	<b><u>81,430</u></b>

\*During the year the company entered into a Tanzania Energy Co- Insurance Consortium agreement purposed to handle insurance risks on energy, oil, and gas business in the United Republic of Tanzania. As at 31 December 2023, the Company had made a deposit of USD 50,000 to the Consortium member's account out of their total financial commitment of USD 100,000 which represents the maximum exposure for the risk to be undertaken.

**MAYFAIR INSURANCE TANZANIA LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**13. INSURANCE AND REINSURANCE CONTRACT**

**Movement in insurance and reinsurance contract balances**

The following table shows the reconciliation from the opening to the closing balances of the net liability for the remaining coverage and the liability for incurred claims for insurance contracts measured under PAA. The coverage period of insurance contracts issued by the Company have coverage periods of one year or less and where the coverage period exceeds one year, the results of measuring this insurance contracts using the general measurement method and the premium allocation approach has been tested and confirmed not to be material.

**a) Insurance Contracts**

**Analysis by remaining coverage and incurred claims**

2023	Liabilities for remaining coverage TZS'000	Estimates of present value of future cash flows TZS'000	Liabilities for incurred claims Risk adjustment for non-financial risk TZS'000	Total TZS'000
Opening liabilities	13,303,175	9,980,776	2,717,369	26,001,320
<b>Changes in the statement of profit or loss and OCI</b>				
Insurance revenue	(40,355,606)	-	-	(40,355,606)
Insurance service expenses	-	14,655,891	594,630	15,250,521
Incurred claims and other insurance service expenses	6,283,835	-	-	6,283,835
Amortisation of insurance acquisition cash flows	(34,071,771)	14,655,891	594,630	(18,821,250)
Insurance service result	-	(739,133)	(142,896)	(882,029)
Net finance income from insurance contracts	-	-	-	-
<b>Total changes in the statement of profit or loss and OCI</b>	<b>(34,071,771)</b>	<b>13,916,758</b>	<b>451,734</b>	<b>(19,703,279)</b>
<b>Cash flows</b>				
Premiums received	42,831,847	-	-	42,831,847
Claims and other insurance service expenses paid	-	(12,088,744)	-	(12,088,744)
Insurance acquisition cash flows	(6,694,865)	-	-	(6,694,865)
<b>Total cash flows</b>	<b>36,136,982</b>	<b>(12,088,744)</b>	<b>-</b>	<b>24,048,238</b>
<b>Closing liabilities</b>	<b>15,368,386</b>	<b>11,808,790</b>	<b>3,169,103</b>	<b>30,346,279</b>

MAYFAIR INSURANCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023

13. INSURANCE AND REINSURANCE CONTRACT (CONTINUED)

Movement in insurance and reinsurance contract balances (Continued)

a) Insurance Contract (Continued)

2022 Restated

	Liabilities for remaining coverage TZS'000	Estimates of present value of future cash Flows TZS'000	Liabilities for incurred claims Risk adjustment for non-financial risk TZS'000	Total TZS'000
Opening liabilities	10,909,314	8,069,742	2,260,347	21,239,403
Changes in the statement of profit or loss and OCI				
Insurance revenue	(30,975,825)	-	-	(30,975,825)
Insurance service expenses	-	12,934,602	649,594	13,584,196
Incurred claims and other insurance service expenses	6,156,692	-	-	6,156,692
Amortisation of insurance acquisition cash flows				
Insurance service result	(24,819,133)	12,934,602	649,594	(11,234,937)
Net finance income from insurance contracts	-	(658,044)	(192,572)	(850,616)
<b>Total changes in the statement of profit or loss and OCI</b>	<b>(24,819,133)</b>	<b>12,276,558</b>	<b>457,022</b>	<b>(12,085,553)</b>
Cash flows				
Premiums received	33,467,708	-	-	33,467,708
Claims and other insurance service expenses paid	(6,254,714)	(10,365,524)	-	(10,365,524)
Insurance acquisition cash flows				
<b>Total cash flows</b>	<b>27,212,994</b>	<b>(10,365,524)</b>	<b>-</b>	<b>16,847,470</b>
<b>Closing liabilities</b>	<b>13,303,175</b>	<b>9,980,776</b>	<b>2,717,369</b>	<b>26,001,320</b>

MAYFAIR INSURANCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023

13. INSURANCE AND REINSURANCE CONTRACT (CONTINUED)

The table below summarise the insurance service expenses and net finance expenses from insurance contract reconciled to Statement of profit or loss and other comprehensive income (SOCI)

	2023	Restated 2022
	TZS'000	TZS'000
Insurance Claims Service Expense	15,250,521	13,584,196
Insurance Amortization of Acquisition Expenses	6,283,835	6,156,692
<b>Insurance service expenses recognised in SOCI</b>	<b>21,534,356</b>	<b>19,740,888</b>

**Net finance expenses from Insurance contract Recognised in SOCI**

Movement in discount of Best Estimate Liability Claims

	882,029	850,616
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MAYFAIR INSURANCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023

13. INSURANCE AND REINSURANCE CONTRACT (CONTINUED)

b) Reinsurance contracts

*Analysis by remaining coverage and incurred claims*

	Note	2023				Total TZS'000
		Assets for remaining coverage TZS'000	Estimates of present value of future cash flows TZS'000	adjustment for non- financial risk TZS'000	Risk adjustment for non- financial risk TZS'000	
<b>Opening assets</b>		6,715,394	5,452,465	1,850,137		<b>14,017,996</b>
<b>Changes in the statement of profit or loss and OCI</b>						
Allocation of reinsurance premiums paid		(19,564,218)				(19,564,218)
Amounts recoverable from reinsurers		5,626,993	6,549,111			12,176,104
Adjustments to Assets for incurred claims		-	-	248,324		248,324
<b>Net expenses from reinsurance contracts</b>		<b>(13,937,225)</b>	<b>6,549,111</b>	<b>248,324</b>		<b>(7,139,790)</b>
Net finance expenses from reinsurance contracts		-	(351,514)	(61,455)		(412,969)
<b>Total changes in the statement of profit or loss and OCI</b>		<b>(13,937,225)</b>	<b>6,197,597</b>	<b>186,869</b>		<b>(7,552,759)</b>
<b>Cash flows</b>						
Premiums paid		20,296,225	-	-		20,296,225
Amounts received		(5,840,748)	(5,369,306)	-		(11,210,054)
<b>Total cash flows</b>		<b>14,455,477</b>	<b>(5,369,306)</b>	<b>-</b>		<b>9,086,171</b>
<b>Closing assets</b>		<b>7,233,646</b>	<b>6,280,756</b>	<b>2,037,006</b>		<b>15,551,408</b>

MAYFAIR INSURANCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023

13. INSURANCE AND REINSURANCE CONTRACT (CONTINUED)

b) Reinsurance contracts (Continued)

	Note	2022 Restated				Total TZS'000
		Assets for remaining coverage TZS'000	Estimates of present value of future cash flows TZS'000	adjustment for non- financial risk TZS'000	Risk adjustment for non- financial risk TZS'000	
Opening assets		5,353,639	4,533,590	1,387,177		11,274,406
Changes in the statement of profit or loss and OCI						
Allocation of reinsurance premiums paid		(16,780,617)	-	-		(16,780,617)
Amounts recoverable from reinsurers		4,924,167	6,599,431	-		11,523,598
Adjustments to Assets for incurred claims		-	-	614,760		614,760
<b>Net expenses from reinsurance contracts</b>		<b>(11,856,450)</b>	<b>6,599,431</b>	<b>614,760</b>		<b>(4,642,259)</b>
Net finance expenses from reinsurance contracts		-	(316,028)	(151,800)		(467,828)
Effect of movements in exchange rates						
<b>Total changes in the statement of profit or loss and OCI</b>		<b>(11,856,450)</b>	<b>6,283,403</b>	<b>462,960</b>		<b>(5,110,087)</b>
Cash flows						
Premiums paid		18,194,362	-	-		18,194,362
Amounts received		(4,976,157)	(5,364,528)	-		(10,340,685)
<b>Total cash flows</b>		<b>13,218,205</b>	<b>(5,364,528)</b>	<b>-</b>		<b>7,853,677</b>
Closing assets		6,715,394	5,452,465	1,850,137		14,017,996

MAYFAIR INSURANCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023

13. INSURANCE AND REINSURANCE CONTRACT (CONTINUED)

b) Reinsurance contracts (Continued)

The table below summarise Net expenses from reinsurance contract and net finance income from insurance contract reconciled to Statement of profit or loss and other comprehensive income (SOCI)

	2023	Restated 2022
	TZS'000	TZS'000
Net expenses from reinsurance contracts		
Allocation of reinsurance premiums paid	19,564,218	16,780,617
Reinsurance claims service expenses	(12,176,104)	(11,523,598)
Reinsurance Movement in Risk Adjustment (RA)	<u>(248,324)</u>	<u>(614,760)</u>
<b>Net Expenses from Reinsurance contract recognised in SOCI</b>	<b><u>7,139,790</u></b>	<b><u>4,642,259</u></b>

Net finance income from Reinsurance contract Recognised in SOCI  
Movement in discount of Best Estimate Liability Claims Reinsurance

	<u>(412,969)</u>	<u>(467,827)</u>
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The table below summarise movement in reinsurance contract assets:

As at January	14,017,996	11,274,406
Premium ceded	20,296,225	18,194,362
Reinsurance Acquisition Cost	(412,969)	(467,828)
Claims recovery	(11,210,054)	(10,340,685)
Payment to reinsurer	(7,139,790)	(4,642,259)
As at 31 December	<b><u>15,551,408</u></b>	<b><u>14,017,996</u></b>

MAYFAIR INSURANCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023

13. INSURANCE AND REINSURANCE CONTRACT (CONTINUED)

31 December 2023		c) Claims Development							Total	
Gross		2016	2017	2018	2019	2020	2021	2022	2023	Total
Estimates of discounted Gross		TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
<b>Cumulative claims</b>										
At end of accident year		981,848	5,516,864	26,011,860	8,331,377	11,499,866	6,853,428	11,830,923	13,109,455	-
One year later		1,251,303	5,310,691	28,489,123	9,228,122	12,415,008	8,087,597	14,057,237	-	-
Two years later		1,221,723	5,106,212	18,803,345	8,840,163	12,172,535	8,030,440	-	-	-
Three years later		1,079,765	5,093,254	19,005,520	8,493,349	11,989,115	-	-	-	-
Four years later		1,084,467	4,918,605	18,960,134	8,960,134	-	-	-	-	-
Five years later		1,074,118	4,884,999	18,767,253	-	-	-	-	-	-
Six years later		1,066,476	4,828,525	-	-	-	-	-	-	-
Seven years later		1,066,476	-	-	-	-	-	-	-	-
<b>Current estimate of cumulative claims</b>		1,066,476	4,828,525	18,767,253	8,255,935	11,989,115	8,030,440	14,057,237	13,109,455	-
Less: Cumulative payments to date		(1,060,060)	(4,746,474)	(17,954,014)	(8,071,600)	(11,651,378)	(6,866,209)	(10,870,952)	(6,584,764)	-
<b>Liability in the statement of financial position</b>		6,416	82,051	813,239	184,335	337,737	1,164,231	3,186,285	6,524,691	12,298,985
Effect of discounting		-	-	-	-	-	-	-	-	(2,717,725)
Risk adjustment		-	-	-	-	-	-	-	-	3,169,104
<b>Total gross claims liability included in the statement of financial position</b>		-	-	-	-	-	-	-	-	12,750,364

MAYFAIR INSURANCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023

13. INSURANCE AND REINSURANCE CONTRACT (Continued)

c) Claims Development (Continued)

Estimates of discounted net cumulative claims	2016 TZS'000	2017 TZS'000	2018 TZS'000	2019 TZS'000	2020 TZS'000	2021 TZS'000	2022 TZS'000	2023 TZS'000	Total TZS'000
At end of accident year	633,671	2,173,245	3,985,324	2,268,282	3,175,954	2,314,092	5,446,171	6,580,444	-
One year later	607,077	1,831,810	5,764,689	2,862,438	3,927,587	3,030,975	7,017,165	-	-
Two years later	552,452	1,855,442	5,471,433	3,027,257	3,857,049	3,056,691	-	-	-
Three years later	541,906	1,916,854	6,209,287	2,907,659	3,810,091	-	-	-	-
Four years later	544,983	1,935,878	6,260,478	2,808,314	-	-	-	-	-
Five years later	545,460	1,925,393	6,200,303	-	-	-	-	-	-
Six years later	542,355	1,911,721	-	-	-	-	-	-	-
Seven years later	542,427	-	-	-	-	-	-	-	-
<b>Current estimate of cumulative claims</b>	542,427	1,911,721	6,200,303	2,808,314	3,810,091	3,056,691	7,017,165	6,580,444	-
Less: Cumulative payments to date	(539,556)	(1,874,996)	(5,836,310)	(2,725,808)	(3,658,925)	(2,535,599)	(5,591,033)	(3,660,092)	-
<b>Liability in the statement of financial position</b>	2,871	36,725	363,993	82,506	151,166	521,092	1,426,132	2,920,352	5,504,837
Effect of discounting	-	-	-	-	-	-	-	-	(1,204,151)
Risk adjustment	-	-	-	-	-	-	-	-	2,037,006
<b>Total net claims liability included in the statement of financial position</b>	-	-	-	-	-	-	-	-	6,337,692

**MAYFAIR INSURANCE TANZANIA LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**14. PAYABLES ARISING FROM REINSURANCE ARRANGEMENTS**

	2023	2022	2021
	TZS'000	TZS'000	TZS'000
Payable to re-insurers	1,474,890	2,311,115	2,420,191
Payable to insurers	2,401,021	603,633	1,526,091
Payable to direct insurance arrangements	-	-	307,096
	<u>3,875,911</u>	<u>2,914,748</u>	<u>4,253,378</u>

**15. OTHER PAYABLES**

Sundry creditors	1,242,056	602,917	829,337
Output VAT and withholding taxes	561,690	210,141	210,141
Accrual for audit fees	53,381	41,889	25,710
Statutory deductions	99,860	119,075	248,853
Leave pay provision liability	104,259	76,036	76,036
	<u>2,061,246</u>	<u>1,050,058</u>	<u>1,390,077</u>

**16. SHARE CAPITAL AND RESERVES**

	2023	2022
	TZS'000	TZS'000
<b>Authorised</b>		
8,000,000 ordinary shares with a par values of TZS 1,000 per share	<u>8,000,000</u>	<u>8,000,000</u>
<b>a) Issued and fully paid up</b>		
4,000,000 ordinary shares of TZS 1,000 each	<u>4,000,000</u>	<u>4,000,000</u>

Holders of ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All rights attached to the Company's shares held by the Group are suspended until those shares are reissued.

**b) Contingency reserve**

A non-distributable contingency reserve is required to be maintained by transferring each year from retained earnings an amount of not less than the greater of 3% of the total premium written or 20% of the net profit, whichever is the greater. The reserve is accumulated until it reaches the greater of minimum paid up share capital or 50% of net premiums written. The total amount of contingency reserve at end of the year is TZS 4,507,124,000 (2022: TZS 4,041,601,000).

**MAYFAIR INSURANCE TANZANIA LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**17. INSURANCE REVENUE**

	2023	2022
	TZS'000	TZS'000 Restated
Marine/Aviation	5,400,874	5,017,675
Engineering	1,865,984	1,629,816
Fire	8,819,178	7,364,130
Liability	176,327	347,332
Motor	15,457,808	11,670,577
Personal accident	5,279,430	1,715,249
Bond	2,303,758	2,538,712
Workmen's	85,513	47,584
Miscellaneous	966,734	644,750
<b>Total insurance revenue</b>	<b><u>40,355,606</u></b>	<b><u>30,975,825</u></b>

**18. INTEREST AND NET FINANCE**

**Interest revenue**

Interest income from deposits with financial institutions	937,986	767,721
Interest income from investments in government securities	670,747	655,382
	<b><u>1,608,733</u></b>	<b><u>1,423,103</u></b>

Net finance expenses from insurance contracts

Interest accreted	-	-
Effect of changes in interest rates and other financial assumptions	882,029	850,616
<b>Total net finance income from insurance contract</b>	<b><u>882,029</u></b>	<b><u>850,616</u></b>

Net finance income from reinsurance contracts

Interest accreted	(412,969)	(467,828)
Other	-	-
<b>Total net finance (expenses)/income from reinsurance contracts</b>	<b><u>(412,969)</u></b>	<b><u>(467,828)</u></b>

MAYFAIR INSURANCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023

18. INTEREST AND NET FINANCE (CONTINUED)

	2023	2022
	TZS'000	TZS'000 Restated
<b>A. Insurance finance income and expenses</b>		
Net finance expenses from insurance contracts		
Recognised in profit or loss	882,029	850,616
Recognised in OCI	-	-
	<u>882,029</u>	<u>850,616</u>
Net finance income from reinsurance contracts		
Recognised in profit or loss	(412,969)	(467,828)
Recognised in OCI	-	-
	<u>(412,969)</u>	<u>(467,828)</u>
<b>Other income</b>		
Disposal of assets	15,000	-
Unrealised Forex Gain/Loss	240,028	26,861
	<u>255,028</u>	<u>26,861</u>

19. EXPENSE

**Insurance and other operating expenses**

Claims and benefits	<i>13</i>	15,250,521	13,584,196
Fees and commissions	<i>13</i>	6,283,835	6,156,692
Staff costs		2,080,486	2,069,112
Defined contribution expense		322,500	220,124
Depreciation of property, plant and equipment		61,362	78,309
Amortization of right of use assets		62,122	141,294
Amortization of computer software		42,718	402,464
Auditor remuneration		129,761	46,591
Directors' remuneration (Note 22)		142,665	128,915
Premium taxes, levies and licenses		463,227	338,065
Other*		6,287,654	3,121,291
		<u>31,126,851</u>	<u>26,287,053</u>
<b>Represented by:</b>			
Insurance service expenses	<i>13</i>	21,534,356	19,740,888
Other operating expenses		9,592,495	6,546,165
		<u>31,126,851</u>	<u>26,287,053</u>

\* Included in other expenses are printing TZS 295m (2022: TZS 83m), Travel expenses TZS 132m (2020: TZS 83m), Legal and professional fees TZS 987 (2022: 931m), Finance cost TZS 336m (2022: 122m), Advertising and promotions TZS 412m (2022: TZS 442m) and Microinsurance Platform fee TZS 1.9b.

**MAYFAIR INSURANCE TANZANIA LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**20. CASH AND CASH EQUIVALENTS**

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

	2023 TZS'000	2022 TZS'000	2021 TZS'000
Cash balances	2,159	1,709	961
Bank balances	<u>1,458,680</u>	<u>969,971</u>	<u>1,433,083</u>
<b>Cash and bank balances in statement of financial position</b>	<b>1,460,839</b>	<b>971,680</b>	<b>1,434,044</b>
Deposits with financial institutions maturing within 90 days -Note 10	<u>3,355,498</u>	<u>1,929,967</u>	<u>1,988,031</u>
	<u>4,816,337</u>	<u>2,901,647</u>	<u>3,422,075</u>
Bank Overdraft repayable on demand and used for cash management purposes	<u>-</u>	<u>(16,799)</u>	<u>-</u>
	<u><b>4,816,337</b></u>	<u><b>2,884,848</b></u>	<u><b>3,422,075</b></u>

**21. BANK OVERDRAFT**

Bank overdraft	<u>-</u>	<u>16,799</u>	<u>-</u>
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The Company had an overdraft facility with Canara Bank at differential interest rate of 1.5%. The overdraft facility is unsecured with an original currency of USD.

**22. RELATED PARTIES TRANSACTIONS**

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

List of related parties and the nature of the relationship.

Mayfair Insurance Company Ltd	Ultimate Parent company
Pawan Patel	Director
Gaurang Pravin Shah	Shareholder
Subhash M. Patel	Shareholder
Girdhar Pindoria	Shareholder
Abbas Mohamed Jessa	Shareholder
Harbinder S. Jandu & Kamalpal S. Jandu	Shareholder
Jayesh G. Shah	Shareholder
Lakdawalla Investment Ltd	Shareholder
Anjay Vithalbai Patel	Shareholder
Darpan Pindolia	Director
Vishal R. Patel	Director
Sanjay K. Singh	Managing Director

**MAYFAIR INSURANCE TANZANIA LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**22. RELATED PARTIES TRANSACTIONS (CONTINUED)**

**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).

Transactions 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. The terms and conditions of these transactions were equivalent to those available to others.

**Directors remuneration**

	2023 TZS'000	2022 TZS'000
Remuneration paid to directors during the year was as follows:		
Anjay V. Patel	17,864	16,556
Vishal Patel	17,864	16,556
Abbas M. Jessa	16,878	15,642
David Sawe	16,878	15,642
William E. Erio	17,864	16,556
Pawan Patel	16,878	15,642
Jayesh Shan	21,563	19,984
Mr. Darpan Pindolia	16,878	15,642
	<u>142,667</u>	<u>132,220</u>

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

**Key management personnel remuneration**

Salaries and other short-term benefits	<u>1,143,647</u>	<u>1,180,924</u>
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MAYFAIR INSURANCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023

23. TAXATION

(a) Current tax

	2023 TZS'000	2022 TZS'000
<b>(i) Income tax expense</b>		
Current tax charge	1,020,510	949,352
Deferred tax charge/(credit) (Note 23 (b))	43,528	(88,723)
Under provision prior year tax charge *	-	24,939
	<u>1,064,038</u>	<u>885,568</u>

*Reconciliation of income tax expense*

	%	2023 TZS'000	%	2022 TZS'000
Effective tax	26	<u>1,064,038</u>	42	<u>885,568</u>
Accounting profit before taxation		4,088,282		2,131,847
Tax applicable rate of 30%	30	1,226,485	30	639,554
Deferred tax over provision in prior year	-	8,298	3	56,555
Permanently disallowed expenditure	1	30,479	8	164,520
Income not subject to tax	(5)	(201,224)	-	-
Under provision prior year tax charge	-	-	1	24,939
	26	<u>1,064,038</u>	42	<u>885,568</u>

	2023 TZS'000	2022 TZS'000
<b>(ii) Income tax receivable</b>		
Balance at 1 January	236,267	267,153
Tax charge for the period - Note 23(a)(i)	(1,020,510)	(949,352)
Prior year tax charge *	-	(24,939)
Tax payments during the year	890,060	943,405
Balance at 31 December	<u>105,817</u>	<u>236,267</u>

\* During the year, the Company underwent a tax audit by Tanzania Revenue authority pertaining to the year of income 2022. An assessment of TZS 82.6 million was issued and the Company conceded for the entire amount. Out of the assessed amount TZS 21.1 million relates to corporate tax, TZS 42.3 million relates to VAT, TZS 19.2 million relates to WHT on local services.

**MAYFAIR INSURANCE TANZANIA LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**23. TAXATION (CONTINUED)**

**(a) Deferred tax asset**

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

<b>2023</b>	<b>Balance at 1 January TZS'000</b>	<b>Recognized in profit or loss TZS'000</b>	<b>Recognized in equity TZS'000</b>	<b>Balance at 31 December TZS'000</b>
Accelerated depreciation for tax purpose	96,388	(79,583)	-	16,805
General provisions	362,034	36,055	-	398,089
Other timing differences	-	-	192,991	192,991
	<u>458,422</u>	<u>(43,528)</u>	<u>192,991</u>	<u>607,885</u>
<b>2022</b>	<b>Balance at 1 January TZS'000</b>	<b>Recognized in profit or loss TZS'000</b>	<b>Recognized in equity TZS'000</b>	<b>Balance at 31 December TZS'000</b>
Accelerated depreciation for tax purpose	22,396	73,992	-	96,388
General provision	347,303	14,731	-	362,034
	<u>369,699</u>	<u>88,723</u>	<u>-</u>	<u>458,422</u>

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

MAYFAIR INSURANCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023

24. 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;

	2023	2022
	TZS '000	TZS'000
Zanzibar Office	15,854	8,036
Mwanza Office	-	9,000
	<u>15,854</u>	<u>17,036</u>

*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 statements.

*Lease liability movement*

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

	2023	2022
	TZS'000	TZS'000
Balance at 1 January	269,701	398,987
Payments of lease Liability (cash flow item)	(160,640)	(129,286)
Payments of interest expense (cash flow item)	(14,180)	(19,800)
Finance cost	14,180	19,800
Lease modifications	8,262	-
Forex	12,494	-
<b>Balance at 31 December</b>	<u>129,817</u>	<u>269,701</u>
Current (Undiscounted)	142,469	149,467
Non-current (Undiscounted)	142,469	149,467
	<u>284,938</u>	<u>298,934</u>

**Amounts to be recognised in profit or loss under IFRS 16**

Interest on lease liabilities	14,180	19,800
Amortization of the right of use asset	141,294	141,294
Expenses relating to low value assets	15,854	17,200
Forex	12,494	-

**Amounts to be recognised in the statement of cash flows**

Interest paid	14,180	19,800
Principal payments	160,640	129,286

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023

24. LEASES (CONTINUED)

*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.

25. MANAGEMENT OF CAPITAL, INSURANCE AND FINANCIAL RISKS

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

(a) Insurance risk

(i) General insurance contracts

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and number 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.

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

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

**(ii) Frequency and severity of claims**

The frequency and severity of claims can be affected by several factors, such as inflation, legal rulings and weather events. The Company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Company has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. Insurance contracts also entitle the Company to pursue third parties for payment of some or all costs (i.e., subrogation).

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

**(iii) Concentration of insurance liabilities**

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

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.

MAYFAIR INSURANCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023

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

(a) Insurance risk (Continued)

(iii) Concentration of insurance liabilities

2023	Maximum insured loss			
	TZS 0 - 15m	TZS 15 - 250m	Above TZS 250m	Total
Class of business	TZS'000	TZS'000	TZS'000	TZS'000
Motor gross	4,245,744	6,166,840	6,000,284	16,412,868
Net	3,705,500	4,788,505	3,251,333	11,745,338
Accident gross	4,934,614	34,231	236,793	5,205,638
Net	4,906,013	30,203	60,362	4,996,578
Marine gross	332,222	780,473	4,511,977	5,624,672
Net	137,246	672,328	1,038,040	1,847,614
Fire gross	9,183	97,677	8,544,180	8,651,040
Net	1,001	87,144	2,110,764	2,198,909
Engineering gross	3,023	123,139	2,524,205	2,650,367
Net	2,766	105,561	444,262	552,589
Others	9,809	1,158,131	3,119,321	4,287,261
Net	4,981	422,838	766,774	1,194,593
<b>Gross written premium</b>	<b>9,534,595</b>	<b>8,360,491</b>	<b>24,936,760</b>	<b>42,831,846</b>
<b>Net written premium</b>				
<b>(Inclusive of re-insurer's share</b>				
<b>TZS 1,010,132 million)</b>	<b>8,757,507</b>	<b>6,106,579</b>	<b>7,671,535</b>	<b>22,535,621</b>

MAYFAIR INSURANCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023

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

(a) Insurance risk (Continued)

iii) Concentration of insurance liabilities (Continued)

2022	Maximum insured loss			
	TZS 0 - 15m	TZS 15 - 250m	Above TZS 250m	Total
Class of business	TZS'000	TZS'000	TZS'000	TZS'000
Motor gross	3,761,400	5,985,874	3,069,829	12,817,103
Net	3,194,721	4,728,894	1,679,230	9,602,845
Accident gross	1,446	173,658	1,602,737	1,777,841
Net	1,854	223,617	1,371,131	1,596,602
Marine gross	13,307	820,560	4,279,455	5,113,322
Net	9,548	527,344	1,287,530	1,824,422
Fire gross	252	62,470	7,944,592	8,007,314
Net	279	65,023	1,524,492	1,589,794
Engineering gross	8,567	200,098	1,812,122	2,020,787
Net	8,037	172,606	536,493	717,136
Others	272,534	787,002	2,671,802	3,731,338
Net	337,476	152,236	376,595	866,307
<b>Gross written premium</b>	<b>4,057,506</b>	<b>8,029,662</b>	<b>21,380,537</b>	<b>33,467,705</b>
<b>Net written premium (Inclusive of re-insurer's share TZS 923.762 million)</b>	<b>3,551,915</b>	<b>5,869,720</b>	<b>6,775,471</b>	<b>16,197,106</b>

Sensitivity analysis

	31 December 2023		31 December 2022	
<i>Before Reinsurance (Gross)</i>				
Change in reinsurance incurred claims	Impact on profit before tax	Impact on equity	Impact on profit before tax	Impact on equity
	TZS'000	TZS'000	TZS'000	TZS'000
+ 5%	2,141,592	1,499,115	1,673,385	1,171,370
- 5%	(2,141,592)	(1,499,115)	(1,673,385)	(1,171,370)
<i>After Reinsurance</i>				
Change in reinsurance incurred claims	Impact on profit before tax	Impact on equity	Impact on profit before tax	Impact on equity
	TZS'000	TZS'000	TZS'000	TZS'000
+ 5%	1,126,781	788,747	809,855	566,899
- 5%	(1,126,781)	(788,747)	(809,855)	(566,899)

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

**(b) Financial risk**

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

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

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

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

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

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

**(c) Credit risk**

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

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

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

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

**MAYFAIR INSURANCE TANZANIA LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

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

**(c) Credit risk (Continued)**

Other sundry debtors are not having standard credit characteristics; they differ depending on whether they are normal, "governed by specific debtor" or the creditworthiness of entity from which they are receivable.

The maximum exposure to credit risk at 31 December 2022 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.

In determining the expected credit losses for these assets the Company has taken into account the historical default experience, the financial position of the counterparties, financial analysts reports and considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

The maximum exposure to credit risk is as summarised below:

	<b>Carrying Amounts TZS '000</b>	<b>Expected credit loss TZS '000</b>	<b>Net TZS '000</b>
<b>31 December 2023</b>			
Deposit with financial Institutions	16,867,824	(88,885)	16,778,939
Investment in government securities	5,111,489	(72,841)	5,038,648
Corporate bonds	100,569	(170)	100,399
Cash and cash equivalent	1,460,839	-	1,460,839
Receivables arising from direct insurance arrangement	4,735,407	(417,617)	4,317,790
Receivable arising from reinsurance arrangements	3,360,426	(509,924)	2,850,502
Other receivables (excluding prepayments)	197,350	-	197,350
	<b>31,833,904</b>	<b>(1,089,437)</b>	<b>30,744,467</b>
	<b>Carrying Amounts TZS '000</b>	<b>Expected credit loss TZS '000</b>	<b>Net TZS '000</b>
<b>31 December 2022</b>			
Deposit with financial Institutions	13,991,563	(75,227)	13,916,336
Investment in government securities	5,065,716	(71,933)	4,993,783
Corporate bonds	50,000	-	50,000
Cash and cash equivalent	971,680	-	971,680
Receivables arising from direct insurance arrangement	1,561,061	(112,628)	1,448,433
Receivable arising from reinsurance arrangements	2,844,202	(496,144)	2,348,058
Other receivables (excluding prepayments)	52,488	-	52,488
	<b>24,536,710</b>	<b>(755,932)</b>	<b>23,780,778</b>

**MAYFAIR INSURANCE TANZANIA LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

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

**(c) Credit risk (Continued)**

The table below provides the information regarding the credit risk exposure of the Company.

<b>31 December 2023</b>	<b>Stage 1 TZS'000</b>	<b>Stage 2 TZS'000</b>	<b>Stage 3 TZS'000</b>	<b>Total TZS'000</b>
Other receivable arising out of insurance arrangements	3,900,173	-	417,617	4,317,790
Other receivable arising out of reinsurance arrangements	2,850,502	-	509,924	3,360,426
Government securities	4,965,807	-	72,841	5,038,648
Corporate bonds	100,229	-	170	100,399
Deposits with financial institutions	16,690,055	-	88,885	16,778,940
Staff loans	73,262	-	-	73,262
Cash and bank balances	1,460,839	-	-	1,460,839
	<u>30,040,867</u>	<u>-</u>	<u>1,089,437</u>	<u>31,130,304</u>
<b>31 December 2022</b>	<b>Stage 1 TZS'000</b>	<b>Stage 2 TZS'000</b>	<b>Stage 3 TZS'000</b>	<b>Total TZS'000</b>
Other receivable arising out of insurance arrangements	1,335,805	-	112,628	1,448,433
Other receivable arising out of reinsurance arrangements	1,851,914	-	496,144	2,348,058
Government securities	4,943,430	-	71,933	5,015,363
Corporate bonds	50,000	-	-	50,000
Deposits with financial institutions	13,863,678	-	75,227	13,938,905
Staff loans	52,488	-	-	52,488
Cash and bank balances	971,680	-	-	971,680
	<u>23,068,995</u>	<u>-</u>	<u>755,932</u>	<u>23,824,927</u>

The following table shows the carrying amounts of financial assets bearing credit risk excluding reinsurance contract assets which are disclosed in note 13 respectively:

	<b>2023 TZS'000</b>	<b>2022 TZS'000</b>
Deposit with financial Institutions	16,778,939	13,938,905
Investment in government securities	5,038,648	5,015,363
Corporate bonds	100,399	50,000
Cash and cash equivalent	1,460,839	971,680
Receivables arising from direct insurance arrangement	4,317,790	1,448,433
Receivable arising from reinsurance arrangements	3,360,426	2,348,058
Other receivables (excluding prepayments)	52,488	52,488
	<u>31,109,529</u>	<u>23,824,927</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023

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

## c) Credit risk (Continued)

None of the above assets are either past due.

## Credit quality analysis

## i. Credit risk

Credit risks is the risk of financial loss to the company if a counterparty to a reinsurance contract or financial instrument fail to meet its obligations and arising from the company reinsurance contract assets and investments fixed deposits and government bonds.

Other areas where credit risk arises include cash and cash equivalents, and deposits with banks and other receivables. The Company has no significant concentrations of credit risk. The Company structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties, and to geographical and industry segments. Such risks are subject to an annual or more frequent review. Limits on the level of credit risk by category and territory are approved quarterly by the Board of Directors.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Company. Management information reported to the Company includes details of provisions for impairment on loans and receivables and subsequent write-offs. Compliance and Risk committee makes regular reviews to assess the degree of compliance with the Company procedures on credit.

Exposures to individual policyholders and groups of policyholders are collected within the on-going monitoring of the controls associated with regulatory solvency. Where there exists significant exposure to individual policyholders, or homogenous groups of policyholders, a financial analysis equivalent to that conducted for reinsurers is carried out by the Company risk committee.

## Credit quality analysis

The following table sets out information about credit quality of reinsurance contract assets.

Reinsurance contract assets Based on AM best rating agency	2023	Restated 2022
	TZS '000'	TZS '000'
A	1,610,156	1,471,038
B++	3,542,344	3,236,283
B	3,869,687	3,369,027
GCR Rated	6,529,221	5,941,648
	<u>15,551,408</u>	<u>14,017,996</u>

As at 31 December 2023, the maximum exposure to credit risk from insurance contract is TZS 4,087Mln (2022: TZS 4,335m) which primarily relate to claims receivable and maximum exposure to credit risk from reinsurance contract is TZS 15.55 billion (2022: TZS 14.01 billion).

MAYFAIR INSURANCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023

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

(c) Credit risk (Continued)

Credit quality analysis (continued)

Deposit with financial institution	2023	Restated 2022
	TZS'000'	TZS'000'
B2	4,083,970	3,905,080
CCC+	11,766,714	9,886,484
CCC	308,550	200,000
	<u>16,159,234</u>	<u>13,991,564</u>
Loss allowance	(89,055)	(75,227)
	<u>16,070,179</u>	<u>13,916,337</u>

Government bonds at amortized cost	2023	Restated 2022
	TZS'000'	TZS'000'
B+	5,129,664	5,065,716
Loss allowance	(72,841)	(71,933)
	<u>5,056,823</u>	<u>4,993,783</u>

Movement in Expected Credit losses

2023	1 Jan 2023	Charge for the year	31 Dec 2023
	TZS'000	TZS'000	TZS'000
Deposit with financial Institutions	75,227	13,658	88,885
Investment in Government securities	71,933	908	72,841
Corporate Bonds	-	170	170
Receivable arising from direct & reinsurance arrangement	608,772	318,768	927,540
	<u>755,932</u>	<u>333,504</u>	<u>1,089,436</u>
<b>2022</b>			
Deposit with financial Institutions	52,659	22,568	75,227
Investment in Government securities	50,353	21,580	71,933
Receivable arising from direct & reinsurance arrangement	905,502	(296,730)	608,772
	<u>1,008,514</u>	<u>(252,582)</u>	<u>755,932</u>

**MAYFAIR INSURANCE TANZANIA LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**25. 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 risk arises when proceeds from the Company's financial assets are not sufficient to fund the obligations arising from insurance policies 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:

<b>2023</b>	<b>Carrying Amount TZS'000</b>	<b>Due on demand TZS'000</b>	<b>1 – 3 months TZS'000</b>	<b>3 – 12 months TZS'000</b>	<b>1 – 5 years TZS'000</b>
Insurance contract liabilities	28,951,030	-	11,580,412	17,370,618	-
Payables arising from reinsurance arrangements	3,875,911	-	1,550,364	2,325,547	-
Other payables	2,203,482	-	1,211,915	991,567	-
Lease liability	284,938	-	-	284,938	-
	<b>35,315,361</b>	<b>-</b>	<b>14,342,691</b>	<b>20,972,670</b>	<b>-</b>
<b>2022</b>	<b>Carrying Amount TZS'000</b>	<b>Due on demand TZS'000</b>	<b>1 – 3 months TZS'000</b>	<b>3 – 12 months TZS'000</b>	<b>1 – 5 years TZS'000</b>
Insurance contract liabilities	26,044,469	-	18,805,728	7,238,741	-
Payables arising from reinsurance arrangements	2,914,749	-	2,612,956	301,793	-
Other payables	644,081	-	644,081	-	-
Lease liability	298,934	-	-	149,467	149,467
Bank overdraft	16,799	-	16,799	-	-
	<b>29,919,032</b>	<b>-</b>	<b>22,079,564</b>	<b>7,690,001</b>	<b>149,467</b>

**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.

MAYFAIR INSURANCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023

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

e) Market risks (Continued)

(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.

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*Sensitivity*

At 31 December 2023, 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 86.3 million and equity by TZS 60.4 million. This is mainly attributable to the Company's exposure to interest rates on its interest-bearing financial assets and liabilities.

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

2023	On demand TZS'000	Due between 3 and 12 months TZS'000	Due between 1 and 5 years TZS'000	Non interest bearing TZS'000	Total TZS'000
<b>Assets</b>					
Investments in government securities	-	58,226	4,980,422	-	5,038,648
Deposits with financial institutions	-	16,778,939	-	-	16,778,939
Reinsurers' share of technical provisions and reserves	-	15,551,409	-	-	15,551,409
Other receivables	-	197,348	-	-	197,348
Insurance receivables	-	7,055,664	-	-	7,055,664
Cash and bank balances	1,461	-	-	-	1,461
	<u>1,461</u>	<u>39,641,586</u>	<u>4,980,422</u>	<u>-</u>	<u>44,623,469</u>
<b>Liabilities</b>					
Insurance contract liabilities	-	30,346,278	-	-	30,346,278
Payables arising from reinsurance arrangements	-	3,875,911	-	-	3,875,911
Other payables	-	2,203,482	-	-	2,203,482
Bank overdraft	-	-	-	-	-
Lease liability	-	-	129,817	-	129,817
	<u>-</u>	<u>36,425,671</u>	<u>129,817</u>	<u>-</u>	<u>36,555,488</u>
<b>Interest sensitivity gap</b>	<u>1,461</u>	<u>3,215,915</u>	<u>4,850,605</u>	<u>-</u>	<u>8,067,981</u>

MAYFAIR INSURANCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023

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

e) Market risks (Continued)

(i) Interest rate risk (Continued)

2022	On demand TZS'000	Due between 3 and 12 months TZS'000	Due between 1 and 5 years TZS'000	Non interest bearing TZS'000	Total TZS'000
<b>Assets</b>					
Investments in government securities	-	-	5,065,716	-	5,065,716
Deposits with financial institutions	-	13,991,564	-	-	13,991,564
Reinsurers' share of technical provisions and reserves	-	12,522,216	-	-	12,522,216
Other receivables	-	52,488	-	-	52,488
Insurance receivables	-	4,143,791	-	-	4,143,791
Cash and bank balances	971,680	-	-	-	971,680
	<u>971,680</u>	<u>30,710,059</u>	<u>5,065,716</u>	<u>-</u>	<u>36,747,455</u>
<b>Liabilities</b>					
Insurance contract liabilities	-	26,044,469	-	-	26,044,469
Payables arising from reinsurance arrangements	-	2,914,749	-	-	2,914,749
Other payables	-	644,081	-	-	644,081
Bank overdraft	-	16,799	-	-	16,799
Lease liability	-	-	298,934	-	298,934
	<u>-</u>	<u>29,620,098</u>	<u>298,934</u>	<u>-</u>	<u>29,919,032</u>
<b>Interest sensitivity gap</b>	<u>971,680</u>	<u>1,089,961</u>	<u>4,766,782</u>	<u>-</u>	<u>6,828,423</u>

(i) 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.

**MAYFAIR INSURANCE TANZANIA LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

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

**(e) Market risks (Continued)**

**(i) Currency risk (Continued)**

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

	2023 TZS'000	2022 TZS'000
Bank balances	432,268	441,203
Deposit with financial institutions and investment in government securities	9,885,653	8,564,574
	<u>10,317,921</u>	<u>9,005,777</u>
A sensitivity analysis in relation to net exposure for a 10% strengthening of the USD against TZS		
<b>Increase/(decrease) in profit or loss</b>	<u>1,031,792</u>	<u>900,578</u>
<b>Increase/(decrease) in equity</b>	<u>722,254</u>	<u>630,405</u>

The following significant exchange rates applied during the year:

	Average rate	Closing rate
<b>US Dollar</b>	2,317.36	2,302.62

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

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

	2023 %	2022 %
Government securities	12.22	12.08
Deposits with financial institutions (TZS)	9.50	9.93
Deposits with financial institutions (US\$)	4.81	4.21

**(f) Capital management**

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

During the year the return on capital employed was 38.29% (2022: 26.38%). 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.

**MAYFAIR INSURANCE TANZANIA LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**25. 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 2.507 billion for the year ended 31 December 2023.

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 return to shareholders.

The Act requires an insurance Company transacting general business to have minimum paid up capital of TZS 2.582 billion times the lesser of 1.03 and the ratio of current year to prior year Consumer Price Index (CPI), i.e., TZS 2,582,210,000 and maintain a solvency margin, (i.e., admitted assets less total liabilities) of the greater of TZS 1,254 million and 20% of net premiums written, i.e., TZS 22,535,622,000 for the year ended 31 December 2023 (2022: TZS 15,273,344,000).

The Company's paid up share capital at 31 December 2023 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 465,523,000 as to date to the contingency reserve.

As at 31 December 2023, the Company's total admissible assets exceeded liabilities as prescribed in the Act and the Companying regulations by TZS 6,452,992,000 (2022: TZS 5,751,195,000) resulting in a solvency margin surplus of TZS 1,945,868,000 (2022: TZS 2,696,526,000,000).

**MAYFAIR INSURANCE TANZANIA LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

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

**(h) Margin of solvency (Continued)**

	<u>TZS' 000</u>	<u>Short term Business TZS' 000</u>
<b>Solvency margin as at 31 December 2023</b>		
Total admitted assets		28,102,195
Total admitted liabilities		<u>21,649,203</u>
<b>Actual Solvency Margin</b>		<b>6,452,992</b>
<b>Add: Margin requirement</b> (The greater of TZS 1,253,595,200 or 20% of net written premium)		
-Net written premium current period	22,535,622	
-20% of net written premium	<u>4,507,124</u>	<u>4,507,124</u>
Total liabilities and minimum requirement (margin requirement)		<u><b>26,156,327</b></u>
<b>Solvency Margin</b>		<u><b>1,945,868</b></u>
	<u>TZS' 000</u>	<u>Short term Business TZS' 000</u>
<b>Solvency margin as at 31 December 2022</b>		
Total admitted assets		22,034,774
Total admitted liabilities		<u>16,283,579</u>
<b>Actual solvency margin</b>		<b>5,751,195</b>
<b>Add: Margin requirement</b> (The greater of TZS 1,139,632,000 million or 20% of net written premium)		
-Net written premium current period	15,273,344	
-20% of net written premium	<u>3,054,669</u>	<u>3,054,669</u>
Total liabilities and minimum requirement (margin requirement)		<u><b>19,338,248</b></u>
<b>Solvency margin</b>		<u><b>2,696,526</b></u>

**MAYFAIR INSURANCE TANZANIA LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**26. 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 2018. As at 31 December 2023, the principal amount of tax in dispute and which depends on the outcome of these cases is TZS 396 million. The directors believe that there is high probability of the Company not being liable for payment of this sum such that ruling will be made in favour of the Company.

**27. CAPITAL COMMITMENTS**

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

**28. ULTIMATE PARENT COMPANY**

The ultimate parent company of Mayfair Insurance Company Tanzania Limited is Mayfair Insurance Company Kenya Limited.

**29. 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 year, not otherwise dealt with in these financial statements, which significantly affect the financial position of the Company and results of its operations.

**MAYFAIR INSURANCE TANZANIA LIMITED**

**APPENDIX A – REVENUE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2023**

**GENERAL INSURANCE  
BUSINESS REVENUE ACCOUNT**

Class of insurance business	31-Dec										2023 Total TZS
	Marine/Aviation TZS	Engineering TZS	Fire TZS	Liability TZS	Motor TZS	Personal Accident TZS	Bond FG TZS	Workmens' Compensation TZS	Miscellaneous TZS		
Gross Written Premium	5,624,672	2,650,366	8,651,041	548,447	16,412,868	5,205,638	2,843,189	106,291	789,335		42,831,847
Opening Gross Unearned Premium	1,702,920	1,321,192	4,209,162	211,170	6,400,740	185,756	1,016,229	27,022	535,826		15,610,017
Closing Gross Unearned Premium	1,926,719	2,105,574	4,041,025	583,290	7,355,800	111,964	1,555,660	47,800	358,427		18,086,259
<b>Insurance revenue</b>	<b>5,400,873</b>	<b>1,865,984</b>	<b>8,819,178</b>	<b>176,327</b>	<b>15,457,808</b>	<b>5,279,430</b>	<b>2,303,758</b>	<b>85,513</b>	<b>966,734</b>		<b>40,355,605</b>
Gross Claims paid	1,191,475	687,969	2,113,165	2,137	6,927,227	399,285	441,479	78,500	247,507		12,088,744
Gross Claims outstanding brought forward	1,965,842	672,852	3,354,859	57,332	4,161,447	76,260	1,281,972	222,274	905,308		12,698,146
Gross Claims outstanding carried forward	2,236,522	1,642,135	3,979,214	398,680	4,386,521	293,076	1,459,659	24,272	557,814		14,977,893
Discounting through OCI	(145,695)	(233,766)	105,762	(33,629)	(237,694)	(82,421)	-	(796)	(253,790)		(882,029)
<b>Claims and benefits through PnL</b>	<b>1,607,850</b>	<b>1,891,013</b>	<b>2,631,759</b>	<b>377,114</b>	<b>7,389,995</b>	<b>698,522</b>	<b>619,166</b>	<b>(118,706)</b>	<b>153,803</b>		<b>15,250,516</b>
Insurance acquisition cash flows amortisation	698,647	423,834	1,938,205	65,521	1,703,914	895,266	324,474	66,647	167,326		6,283,834
<b>Total insurance service expenses</b>	<b>2,306,497</b>	<b>2,314,847</b>	<b>4,569,964</b>	<b>442,635</b>	<b>9,093,909</b>	<b>1,593,788</b>	<b>943,640</b>	<b>(52,059)</b>	<b>321,129</b>		<b>21,534,350</b>

**MAYFAIR INSURANCE TANZANIA LIMITED**

**APPENDIX A – REVENUE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

	31-Dec 2023									
	Marine/Aviation	Engineering	Fire	Liability	Motor	Personal Accident	Bond	Workmens'	Miscellaneous	Total
Reinsurance revenue	3,777,059	2,097,777	6,452,130	201,933	4,667,530	209,060	2,284,556	10,457	595,722	20,296,224
Opening RI Unearned Premium	1,479,813	833,132	3,536,281	97,067	1,527,413	95,038	838,388	2,422	263,589	8,673,143
Closing RI Unearned Premium	1,542,275	1,302,076	3,113,058	131,316	2,008,126	4,111	1,203,817	4,650	278,226	9,587,655
RI AICF	(1,104,655)	(621,438)	(2,196,934)	(46,029)	(627,106)	(72,257)	(807,965)	(1,624)	(148,985)	(5,626,993)
RI Claims paid	563,612	388,978	1,707,504	79	2,161,966	23,658	296,732	12,300	214,476	5,369,305
RI Claims outstanding brought forward	1,117,236	428,966	3,037,976	3,999	952,929	15,962	1,597,243	2,110	146,182	7,302,603
RI Claims outstanding carried forward	1,020,855	1,110,159	3,290,793	85,380	1,049,606	209,967	61,383	2,513	1,487,108	8,317,764
Discounting through OCI	(28,606)	(165,797)	119,237	(13,496)	(59,607)	(66,257)	-	(86)	(198,358)	(412,970)
Claims and benefits through PnL	495,836	1,235,968	1,841,084	94,957	2,318,250	283,919	(1,239,127)	12,789	1,753,760	6,797,436
<b>Net expenses from reinsurance contracts</b>	<b>2,114,105</b>	<b>(228,573)</b>	<b>2,837,336</b>	<b>26,698</b>	<b>1,241,461</b>	<b>(56,188)</b>	<b>2,350,290</b>	<b>(6,184)</b>	<b>(1,145,221)</b>	<b>7,133,724</b>
<b>Insurance service result</b>	<b>980,271</b>	<b>(220,294)</b>	<b>1,411,878</b>	<b>(293,007)</b>	<b>5,116,372</b>	<b>3,741,830</b>	<b>191,210</b>	<b>143,756</b>	<b>1,790,826</b>	<b>11,681,460</b>
Expenses of management	808,757	122,451	1,155,327	108,112	4,185,369	2,745,747	160,461	20,952	155,597	9,462,773
Premium Tax	60,831	28,664	93,561	5,931	177,506	56,299	30,749	1,150	8,537	463,228
<b>Total expenses</b>	<b>869,588</b>	<b>151,115</b>	<b>1,248,888</b>	<b>114,043</b>	<b>4,362,875</b>	<b>2,802,046</b>	<b>191,210</b>	<b>22,102</b>	<b>164,134</b>	<b>9,926,001</b>
<b>Underwriting (loss)/profit</b>	<b>110,683</b>	<b>(371,409)</b>	<b>162,990</b>	<b>(407,050)</b>	<b>753,497</b>	<b>939,784</b>	<b>(1,181,382)</b>	<b>121,654</b>	<b>1,626,692</b>	<b>1,755,459</b>

**MAYFAIR INSURANCE TANZANIA LIMITED**

**APPENDIX A – REVENUE ACCOUNT FOR THE PERIOD ENDED 31 DECEMBER 2022**

**GENERAL INSURANCE  
BUSINESS REVENUE ACCOUNT**

Class of insurance business	31-Dec										2022 Total TZS
	Marine/Aviation TZS	Engineering TZS	Fire Domestic TZS	Liability TZS	Motor Private TZS	Personal Accident TZS	Bond FG TZS	Workmens' Compensation TZS	Miscellaneous TZS		
Gross Written Premium	5,113,322	2,020,787	8,007,314	374,310	12,817,103	1,777,841	2,569,173	53,469	734,387		33,467,706
Opening Gross Unearned Premium	1,607,272	930,221	3,565,979	184,192	5,254,214	123,164	985,768	21,137	446,188		13,118,135
Closing Gross Unearned Premium	1,702,920	1,321,192	4,209,162	211,170	6,400,740	185,756	1,016,229	26,090	312,598		15,385,857
<b>Insurance revenue</b>	<b>5,017,674</b>	<b>1,529,249</b>	<b>7,364,130</b>	<b>347,332</b>	<b>11,670,577</b>	<b>1,715,249</b>	<b>2,538,712</b>	<b>47,584</b>	<b>644,749</b>		<b>30,875,256</b>
Gross Claims paid	645,319	816,296	2,728,946	13,735	5,494,503	155,269	313,226	-	198,229		10,365,523
Gross Claims outstanding brought forward	912,945	1,070,117	3,110,847	42,508	3,224,332	98,866	1,048,621	111,047	710,807		10,330,090
Gross Claims outstanding carried forward	1,965,842	672,852	3,354,859	57,332	4,161,447	76,260	1,281,972	222,274	905,308		12,698,146
Discounting through OCI	(163,281)	77,092	(279,467)	(2,029)	(331,924)	(6,731)	-	3,425	(147,700)		(850,615)
<b>Claims and benefits through PnL</b>	<b>1,861,498</b>	<b>341,938</b>	<b>3,252,425</b>	<b>30,589</b>	<b>6,763,542</b>	<b>139,394</b>	<b>546,577</b>	<b>107,802</b>	<b>540,431</b>		<b>13,584,196</b>
Insurance acquisition cash flows amortisation	856,261	398,982	2,157,295	64,325	1,739,263	249,930	395,010	95,929	199,697		6,156,692
<b>Total insurance service expenses</b>	<b>2,717,759</b>	<b>740,920</b>	<b>5,409,720</b>	<b>94,914</b>	<b>8,502,805</b>	<b>389,324</b>	<b>941,587</b>	<b>203,731</b>	<b>740,128</b>		<b>19,740,888</b>

**MAYFAIR INSURANCE TANZANIA LIMITED**

**APPENDIX A – REVENUE ACCOUNT FOR THE PERIOD ENDED 31 DECEMBER 2022 (CONTINUED)**

Reinsurance revenue	3,366,316	1,375,340	6,916,375	146,912	3,490,058	181,239	2,110,266	5,119	602,736	18,194,361
Opening RI Unearned Premium	1,151,246	639,892	3,075,474	62,702	1,150,063	90,801	876,802	2,088	392,835	7,441,903
Closing RI Unearned Premium	1,479,813	833,132	3,536,281	97,067	1,533,478	95,038	838,388	2,422	440,028	8,855,647
RI AICF	(963,502)	(438,980)	(1,985,692)	(33,603)	(485,697)	(48,153)	(814,437)	(962)	(153,140)	(4,924,166)
RI Claims paid	185,437	547,021	2,465,713	1,369	1,721,704	42,046	220,282	0	180,956	5,364,528
RI Claims outstanding brought forward	281,222	801,927	2,662,621	4,252	869,770	35,744	666,035	18,660	580,537	5,920,768
RI Claims outstanding carried forward	1,117,236	428,966	3,037,976	3,999	952,929	15,962	1,597,243	2,110	146,182	7,302,603
Discounting through OCI	(130,507)	87,493	(242,234)	5,731	(70,009)	494.42	-	641	(119,438)	(467,828.58)
Claims and benefits through PnL	1,151,959	86,567	3,083,302	(4,615)	1,874,871	21,770	1,151,490	(17,191)	(133,961)	7,214,192
<b>Net expenses from reinsurance contracts</b>	<b>922,288</b>	<b>656,552</b>	<b>1,386,575</b>	<b>83,559</b>	<b>746,075</b>	<b>107,080</b>	<b>182,752</b>	<b>21,014</b>	<b>536,363</b>	<b>4,642,258</b>
<b>Insurance service result</b>	<b>1,377,628</b>	<b>232,344</b>	<b>567,836</b>	<b>168,859</b>	<b>2,421,697</b>	<b>1,218,844</b>	<b>1,414,372</b>	<b>(177,161)</b>	<b>(631,742)</b>	<b>6,592,677</b>
Expenses of management	909,907	109,595	424,887	66,608	2,200,780	1,016,364	1,087,180	9,515	130,683	5,955,519
Premium Tax	51,651	20,412	80,884	3,781	129,469	17,958	25,952	540	7,418	338,065
<b>Total expenses</b>	<b>961,558</b>	<b>130,007</b>	<b>505,771</b>	<b>70,389</b>	<b>2,330,249</b>	<b>1,034,322</b>	<b>1,113,132</b>	<b>10,955</b>	<b>138,101</b>	<b>6,293,584</b>
<b>Underwriting (loss)/profit</b>	<b>416,070</b>	<b>102,337</b>	<b>62,065</b>	<b>98,470</b>	<b>91,448</b>	<b>184,522</b>	<b>301,240</b>	<b>(187,216)</b>	<b>(769,843)</b>	<b>299,093</b>