ANNUAL REPORT

2015

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Alliance INSURANCE

Covering Risks. Improving Lives

DSM: Tel: +255 222139100 Fax: +255 222139098 Branches: Arusha, Moshi, Mwanza Web: www.alliancetz.com

Contents

Company Information

BOARD OF DIRECTORS

Mr. Shaffin Jamal	Tanzanian
Mr. Yogesh Manek	Tanzanian
Mr. Jayesh G Shah	British (upto 30 September 2015)
Mr. Narendra P Thaker	Kenyan
Dr. Alex Nguluma	Tanzanian
Mr. Kalpesh Mehta	British

CHIEF OFFICERS

Mr. K V A Krishnan	Group Managing Director
Mr. Rajiv Ranjan	Chief Executive Officer
Dr. S. K. Jain	Chief Operating Officer
Mr. Sunil Theruvel	Finance Controller/Company Secretary
Mr. Sunder B. Nayak	General Manager
Mr. Gustaph Dimoso	Manager - Underwriting
Mr. Rajeev Deshpande	General Manager, Arusha
Mr. Vishwadeep Chaliha	Director National, Comoros

REGISTERED HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS
7th Floor, Exim Tower, Ghana Avenue
P.O. Box 9942, Dar es Salaam
Telephone: + 255 22 2139100
Fax: + 255 22 2139098
Email: admin@alliancetz.com
Website: www.alliancetz.com

MARKETING OFFICES
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Fax: +255 28 2500759
Email: mwanza@alliancetz.com

SAMORA AVENUE
Samora House Ground Floor, Samora Avenue
P.O. Box 70171, Dar es Salaam
Telephone: +255 22 2124295
Email: samora@alliancetz.com

BANKERS
Exim Bank (Tanzania) Limited
National Bank of Commerce Limited
Diamond Trust Bank (Tanzania) Limited
I & M Bank (Tanzania) Limited
Bank of India (Tanzania) Limited
Commercial Bank of Africa (Tanzania) Limited
UBL Bank (Tanzania) Limited
Tanzania Women's Bank PLC

LEGAL ADVISORS
Rex Attorneys
Rex House, 145
Magore Street, Upanga
P.O. Box 7495, Dar es Salaam

Octavian Temu Advocates
2nd Floor, NIC Life House

P.O. Box 77353,

Dar es Salaam

BRANCH NETWORK
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2nd Floor, Sykes Building, Goliondoi Road
P.O. Box 793, Arusha
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Fax: +255 27 2752500
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COMOROS
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Email: chaliha@alliancetz.com
Website: www.alliancetz.com

INDEPENDENT AUDITORS
Tanna Sreekumar Grant Thornton
Certified Public Accountants
P.O. Box 948, Dar es Salaam

INDEPENDENT ACTUARY
ARCH Actuarial Consulting
P.O. Box 12573, Mill Street,
Cape Town, South Africa

SUBSIDIARIES
Alliance Life Assurance Limited
5th Floor, Exim Tower, Ghana Avenue
P.O. Box 11522, Dar es Salaam

DAR ES SALAAM PROPERTIES LIMITED
5th Floor, Exim Tower, Ghana Avenue
P.O. Box 2763, Dar es Salaam

ALLIANCE AFRICA GENERAL INSURANCE LIMITED
P.O. Box 7308, 3rd Floor, Plot 9
Yusuf Lule Road, Kampala, Uganda

Chairman's Statement

Dear Shareholder,

It is my pleasure to present to you the Annual Report and Financial Statements for the year ended 31st December 2015. I am delighted to report that your Company has once again put up a strong performance under all parameters of performance, including business growth, underwriting results & investment income, surpassing industry benchmarks.

ECONOMIC OUTLOOK

The domestic (Tanzania) economy was largely unaffected from the Global economic shocks due to the strong macroeconomic performance. The real GDP growth for 2015 was revised downward in October 2015 to 7.0% from 7.2% in April 2015 due to low export commodity prices mainly gold and some traditional export commodities. The economic performance was mainly driven by exports of manufactured goods and receipts from tourism.

According to World Bank, Tanzania's economic growth should remain robust in 2016. IMF has estimated GDP growth of Tanzania at 7.1% in 2015-16. As per the economic forecast by panel of analysts the GDP of Tanzania will grow at an average CAGR of over 6.50%.

Your Company has been constantly participating in the growing economy and continues to support & cater to the growing Insurance demands in East Africa.

BUSINESS OPERATIONS

The total Gross Written Premium of the Tanzanian operations for 2015 has grown to TZS 70.95 bn. against TZS 62.1 bn. in 2014. Investment income is up at 6.73 bn. in 2015 from TZS 5.18 bn. for 2014 and Profit before Tax has risen to TZS 8.72 bn. from TZS 8.22 bn. in 2014.

Our flagship operation in Tanzania continues to deliver extremely healthy results. I am pleased to inform that our Ugandan operation has started showing traction and this year they are at breakeven level. The Comoros operations including the branches continue to add to our top line as well as our bottom line.

While we are consolidating our positions in the markets of our existing operations our quest for newer operations will continue in the year 2016.

FOCUS AREA

Customer Service

At Alliance, we are committed to the expeditious & fair settlement of claims, and are proud to be known as a "listening Company" in the market. Our Responsiveness and effective communication continue to be the hallmark of our performance. Intermediaries and clients alike have found a trustworthy business partner in us & this trust & confidence have played a major role in our continued success. Alliance continues on the path of excellence, guided by our core values viz.; Passion, Integrity, Excellence, Staff Empowerment, Innovation and Creativity.

Our existence is due to our customers and we stand committed towards serving our customers and delight them with our services. Customer centricity has always been the core for us and in 2016, we have chosen to focus on "Ease of Transaction" to delight, both internal as well as external, customers. We would be undertaking projects to ensure that we are successful in giving our customers a pleasant association with Alliance.

Human Resource Capacity Development

Your Company is strongly committed to the development of the local talent & as always, they would be in the forefront of all our operations. We are fully aware that the Company can achieve its goals only with the empowerment & involvement of our biggest asset viz our people, and we would continue to develop and harness our people power to achieve greater heights of excellence. We attach top priority to training, nurturing & mentoring our employees to ensure that we have a finely honed team ready to grapple with the emerging challenges.

INDUSTRY RECOGNITION

While your company strives towards excellence we continue to be recognized and rewarded by the Industry.

- We were awarded the President's Manufacturer of the Year (PMAYA) Award for 2014 (for the sixth time we have won this Award) wherein apart from being first in the financial services sector, we have also been awarded the overall runners up trophy in Tanzania industry as a whole.
- The continuation of Superbrands as the best Insurer in Tanzania is the testimony of our Brand Value
- Alliance was recognized with the Brand Excellence award by the Tanzania Leadership Awards.
- I am also pleased to inform that GCR has improved our rating to AA-(TZ) and now we are the HIGHEST RATED Insurance Company in Tanzania.

ACKNOWLEDGEMENT

I would like to sincerely thank the Commissioner of Insurance and his colleagues at TIRA for the continued guidance and support throughout the year.

I would also like to express my gratitude and thank our valued clientele, the Broking fraternity & all our business partners for their faith and trust in us which helped us reach our goals.

Our employees have always been our pillar of strength and I would acknowledge their outstanding contribution in delivering a robust result in 2015.

I would like to offer my appreciation and sincere thanks to all my fellow directors on the Board, who have always been providing invaluable guidance & unstinted support to the company operations.

....

Shaffin Jamal
Chairman
Date: April 15, 2016

Directors' Report

The directors submit their report and the audited financial statements for the year ended 31 December 2015, which disclose the state of affairs of the company.

1. PRINCIPAL ACTIVITIES

The principal activities of the company are that of underwriting all classes of non-life insurance risks as defined by the Insurance Act. The company also handles the run-off of life business written by it till June 2010. In July 2010, the company had invested 70% of the shares in Alliance Life Assurance Limited which exclusively transacts life insurance business. In June 2011, the Company became 99% shareholders in Dar-es-Salaam Properties Limited which is dealing in leasing out residential furnished apartments, which was an Associate till this date. In June 2012, the company opened a branch in Comoros Island to transact General Insurance business. In year 2013, the company promoted and incorporated a new company, Union Insurance Limited in Uganda which was renamed as Alliance Africa General Insurance Limited on 7th November 2014.

2. GROUP RESULTS

Particulars	2015 TZS. Millions	2014 TZS. Millions
Profit before tax	8,721	8,221
Tax charge	(2,147)	(1,560)
Profit for the year	6,574	6,661

3. SHARE CAPITAL

The issued and paid up share capital of the company is Tzs. 10,000,000,000 (2014: Tzs 8,000,000,000).

4. DIVIDEND

No interim dividend was declared or paid to shareholders during the year (2014: 1 billion). The directors propose a final dividend of Tzs. 3,200 million (2014: 3,105 million) for the year.

5. DIRECTORS

The directors of the company at the date of this report, who held office since 1 January 2015, except as otherwise stated are:

Name	Nationality	Date of appointment	Position	Age	Changes
Shaffin Jamal	Tanzanian	1/24/1996	Chairman	45	
Yogesh M Manek	Tanzanian	1/1/2004	Director	61	
Jayesh G Shah	British	1/1/2000	Director	56	Upto 30 September 2015
Narendra P Thaker	Kenyan	12/26/1998	Director	83	
Dr. Alex Ngulum a	Tanzanian	12/1/2000	Director	63	
Kalpesh Mehta	Tanzanian	11/1/2013	Director	46	

6. DIRECTORS' INTERESTS

The directors do not hold any direct interest in the issued and paid-up share capital of the Company.

7. TRANSFERS TO RESERVES

Alliance Insurance Corporation Limited

In respect of General Business, an amount of Tzs. 1,794 million (2014: Tzs. 1,007 million) has been transferred to a contingency reserve account in accordance with Regulations 27 (2) (b) and 27 (3) (b) of The Insurance Regulations, 2009.

Subsidiary - Alliance Life Asssurance Limited

An amount of Tzs. 63 million (2014: Tzs. 62 million) in respect of long term business has been transferred to a contingency reserve account in accordance with Regulations 27 (2) (b) and 27 (3) (b) of The Insurance Regulations, 2009.

Subsidiary - Alliance Africa General Insurance Limited, Uganda

An amount of Ush 72.99 million equivalent to Tzs. 46 million (2014: USh 6.78 million equivalent to Tzs. 4.23 million) has been transferred to a contingency reserve account in accordance with Section 47(2) of the Uganda Insurance Act, Cap. 213.

8. CORPORATE GOVERNANCE

The directors are committed to the principles of good corporate governance and recognize the need to conduct the business in accordance with generally accepted best practice. In so doing the directors therefore confirm that:

- the board of directors met regularly throughout the year;
- they retain full and effective control over the company and monitor executive management;
- the positions of Chairman and Chief Executive are held by different people;
- the board accepts and exercises responsibility for strategic and policy decisions, the approval of budgets and the monitoring of performance;
- they bring skills and experience from their own spheres of business to complement the professional experience and skills of the management team;
- the board appoints executive staff and selects non-executive directors (whose appointment is subject to confirmation by shareholders); and
- they ensure that discussions on issues of performance, policy and strategy are informed and that debate is rigorous but constructive.

Investment Committee - which is responsible for the definition and implementation of investment policy and authorisation of the placement of investment funds.

Audit and Risk Management Committee - which is responsible for ensuring compliance with applicable legislation and the requirements of regulatory authorities as well as matters relating to internal controls, internal and external audit processes, reporting and disclosure.

9. RELATED PARTY TRANSACTIONS

The company provided insurance, in the normal course of business and at arm's length, to the majority shareholder Union Trust Investments Limited and its subsidiaries. Details of transactions and balances with related parties are included in note 32 to the financial statements.

10. SOLVENCY

The directors consider the company's solvency position as shown on the statement of financial position set out on page 11 of these financial statements to be very satisfactory. The company's solvency margin at 31 December 2015 exceeded the minimum required by The Insurance Act 2009, by Tzs 9,520 million (2014: Tzs 8,799 million).

11. EMPLOYEE WELFARE

The Group's entities employment terms are reviewed annually to ensure that they meet statutory and market conditions. The Group's entities provides training to employees, encouraging to take up professional examinations by means of financial assistance. Medical insurance is provided for the employee, spouse and children.

12. AUDITORS

M/s. Tanna Sreekumar Grant Thornton has been appointed as auditors of the Group for the financial year 2015 and they have expressed their willingness to continue in office and are eligible for re-appointment.

By Order of the Board,

Yogesh Manek
Director
Date: April 15, 2016

Statement of Directors' Responsibilities

The Companies Act, 2002 requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the results for that year. It also requires the directors to ensure that the company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the company. They are also responsible for safeguarding the assets of the company.

The directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies Act, 2002. The directors are responsible for ensuring that the Insurance Act and Regulations have been complied with.

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and the Group as at 31 December 2015 and of its operating results for the year then ended. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the financial statements, as well as adequate systems of internal control.

The external auditors are responsible for independently reviewing and reporting on the Company's and Group's annual report and financial statements. The annual report and financial statements have been examined by the company's external auditors and their report is presented on page 7.

The directors have reviewed the Company's cash flow forecast for the year to 31 December 2016 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.
The directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

Approved by the Board of Directors on April 15, 2016 and signed on its behalf by:

....	....	....
Shaffin Jamal	**Yogesh Manek**	**K V A Krishnan**
Chairman	Director	Managing Director

ARCH Actuarial Consulting

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tel +27(21) 701 2277 ◇ fax +27(21) 701 3495
chanan@archac.com ◇ www.archac.com

Analysis ◇ Retirement ◇ Compensation ◇ Health **15 April 2016, Cape Town**

Alliance Insurance Corporation Limited
P.O. Box 9942
Dar Es Salaam
Tanzania

REPORT OF THE CONSULTING ACTUARY

ACTUARIAL VALUATION AS AT 31 DECEMBER 2015

I have conducted an actuarial valuation of the life assurance business of Alliance Insurance Corporation Limited as at 31 December 2015.

The valuation was conducted in accordance with generally accepted actuarial principles and in accordance with the requirements of the Tanzanian Insurance Act. Those principles require prudent provision for future outgo under contracts, generally based upon the assumptions that current conditions will continue. Provision is therefore not made for all possible contingencies.

In completing the actuarial valuation, I have relied upon the audited financial statements of the Company.

In my opinion, the Life Assurance business of the Company was financially sound and the actuarial value of the liabilities in respect of all classes of life insurance business did not exceed the amount of funds of the life assurance business at 31 December 2015.

Nicolette Patchett
Fellow of the Faculty of Actuaries
Fellow of the Actuarial Society of South Africa
On behalf of ARCH Actuarial Consulting
15 April 2016

Tanna Sreekumar
Grant Thornton | An instinct for growth™

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AUDITORS' REPORT TO THE MEMBERS OF ALLIANCE INSURANCE CORPORATION LIMITED

We have audited the accompanying consolidated financial statements of Alliance Insurance Corporation Limited (the Company) and its subsidiaries (together, the Group which consist of M/s. Alliance Life Assurance Limited, M/s. Dar es Salaam Properties Limited and Alliance Africa General Insurance Limited), as set out on pages 8 to 49 which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Tanzanian Companies Act 2002, and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the accompanying consolidated financial statements give a true and fair view of the state of financial affairs of the Group as at 31 December 2015 and of its total comprehensive income of Tzs. 5,837 (millions) and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Tanzanian Companies Act 2002.

Report on other legal requirements

As required by the Tanzanian Companies Act 2002 we report to you, based on our audit, that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) in our opinion, proper accounting records have been kept by the company, so far as appears from our examination of those records; and

iii) the company's consolidated statement of financial position and of comprehensive income are in agreement with the accounting records.

BS

Dr. B.S. Sreekumar
Tanna Sreekumar Grant Thornton
Certified Public Accountants

Dar es Salaam
Date: April 15, 2016

Partners:
B.K. Tanna FCA (Eng & Wales), FCPA, FInstD
Dr. B.S Sree Kumar FCA (India), CPA (T), MBA, PhD

Certified Public Accountants
Tanna Sreekumar Grant Thornton is a member firm of Grant Thornton International

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31st December 2015

(All amounts in Tzs. 'millions' unless otherwise stated)

	Note	2015 TZS. Millions	2014 TZS. Millions
Gross earned premiums	1	67,950	57,693
Less: premiums ceded out to reinsurers	2	(35,122)	(31,143)
Net earned premiums		**32,828**	**26,550**
Rental income		337	263
Investment income	3	6,731	5,176
Commission earned	4	5,611	5,045
Other income	5	59	200
Net income		45,566	37,234
Claims and policy holders benefits payable	6	29,678	24,500
Less: amounts recoverable from reinsurers	6	(13,695)	(10,199)
Net claims payable		15,983	14,302
Operating and other expenses		11,452	8,005
Commission expenses	9	9,410	6,706
Total expenses		36,845	29,013
Profit before tax	7	8,721	8,221
Tax charge	10	(2,147)	(1,560)
Profit for the year		6,574	6,661
Profit for the year attributable to:			
Owners of the parent		6,300	6,188
Non-controlling interest		274	473
Profit for the year		6,574	**6,661**
Other comprehensive Income			
Fair value gain/(loss) on available-for-sale financial assets	36	(729)	3,850
Fair value gain on property	36	-	688
Deferred tax charge on gain on revaluation of property	36	-	(206)
Deferred tax charge on fair value gain on available-for-sale financial assets	36	30	(65)
Depreciation charge on revaluation part of property	18	(54)	(32)
Reversal of deferred tax charge on gain on revaluation of property	36	16	9
Total other comprehensive (loss)/income		(737)	**4,245**
Total comprehensive income for the year		5,837	**10,906**
Total comprehensive income for the year Attributable to:			
Owners of the parent		5,563	10,433
Non-controlling interest		274	473
Total comprehensive income for the year		5,837	**10,906**
Dividend:			
Proposed and paid during the year - Interim	12	-	1,000
Proposed for the year - Final	12	-	-
Earning per share			
Basic (Tzs. in '000) - Restated	11	32.87	41.63

The significant accounting policies on pages 15 to 26 and the notes on pages 27 to 49 form an integral part of these financial statements.

Report of the Auditors' - Page 7

Company statement of profit or loss and other comprehensive income

For the year ended 31st December 2015

(All amounts in Tzs. 'millions' unless otherwise stated)

	Note	2015 TZS. Millions	2014 TZS. Millions
Gross earned premiums	1	56,400	47,957
Less: premiums ceded out to reinsurers	2	(30,782)	(27,593)
Net earned premiums		**25,618**	**20,364**
Investment income	3	5,561	4,377
Commission earned	4	4,781	4,550
Other income	5	58	194
Net income		**36,018**	**29,485**
Claims and policy holders benefits payable	6	23,932	20,422
Less: amounts recoverable from reinsurers	6	(10,937)	(7,987)
Net claims payable		**12,995**	**12,435**
Operating and other expenses		7,956	5,629
Commission expenses	9	7,449	5,014
Total expenses		**28,400**	**23,078**
Profit before tax	7	7,618	6,407
Tax charge	10	(1,916)	(1,371)
Profit for the year		**5,702**	**5,036**
Other comprehensive Income			
Fair value gain on available-for-sale financial assets	36	1,741	3,689
Fair value gain on property	36	-	328
Deferred tax charge on gain on revaluation of property	36	-	(98)
Depreciation charge on revaluation part of property	18	(22)	-
Reversal of deferred tax charge on gain on revaluation of property	36	7	-
Total other comprehensive income		**1,726**	**3,918**
Total comprehensive income for the year		**7,428**	**8,954**
Dividend:			
Proposed and paid during the year - Interim	12	-	1,000
Proposed for the year - Final	12	-	-
Earning per share			
Basic (Tzs. in '000) - Restated		28.51	31.47

The significant accounting policies on pages 15 to 26 and the notes on pages 27 to 49 form an integral part of these financial statements. Report of the Auditors' - Page 7

Consolidated statement of financial position

As at 31st December 2015

(All amounts in Tzs. 'millions' unless otherwise stated)

	Note	2015 TZS. Millions	2014 TZS. Millions
CAPITAL EMPLOYED			
Share capital	13	10,000	8,000
Capital reserve	14	1	1
Contingency reserve	14	6,722	4,819
Revaluation reserve	36	10,786	11,523
Retained earnings	16	7,505	6,182
Equity attributable to the owners of the parent		**35,014**	**30,525**
Non-controlling interest		**1,777**	**1,522**
Total equity		**36,791**	**32,047**
REPRESENTED BY			
ASSETS			
Property & equipment	18	4,762	4,961
Intangible assets	19	31	1
Investment in property		1,473	1,473
Financial assets	21	42,579	37,463
Reinsurance arrangement debtors		3,194	2,609
Receivables arising out of direct insurance arrangements	22	18,968	11,952
Reinsurers' share of insurance contract liabilities	23	26,759	20,260
Deferred acquisition costs	24	1,558	1,016
Other receivables	25	1,559	1,081
Cash and cash equivalents	26(a)	2,181	1,197
Branch preliminary expenses		683	218
Total assets		**103,747**	**82,231**
LIABILITIES			
Insurance contract liabilities	17	32,441	23,263
Provisions for unearned premium and unexpired risks	27	23,955	18,674
Reinsurance arrangement creditors		4,335	3,675
Deferred tax liabilities	20	816	563
Bank overdraft	26(b)	1,132	1,531
Tax payable		293	6
Other payables	28	3,984	2,471
Total liabilities		**66,956**	**50,185**
Total net assets		**36,791**	**32,047**

The financial statements on pages 8 to 49 were authorised and approved for issue by the board of directors on April 15, 2016 and signed on its behalf by:

Shaffin Jamal
Chairman

Yogesh Manek
Director

K V A Krishnan
Managing Director

The significant accounting policies on pages 15 to 26 and the notes on pages 27 to 49 form an integral part of these financial statements. Report of the Auditors' - Page 7

Company statement of financial position

As at 31st December 2015

(All amounts in Tzs. 'millions' unless otherwise stated)

	Note	2015 TZS. Millions	2014 TZS. Millions
CAPITAL EMPLOYED			
Share capital	13	10,000	8,000
Contingency reserve	14	6,409	4,615
Revaluation reserve	36	12,687	10,961
Retained earnings	16	4,849	4,046
Total equity		**33,945**	**27,622**
REPRESENTED BY			
ASSETS			
Property & equipment	18	2,227	2,301
Intangible assets	19	30	1
Investment in subsidiaries	29	6,461	4,009
Loan to subsidiary	32(c)	3,203	2,216
Financial assets	21	32,422	29,574
Reinsurance arrangement debtors		2,907	2,600
Receivables arising out of direct insurance arrangements	22	12,503	6,925
Reinsurers' share of insurance contract liabilities	23	24,580	19,278
Deferred acquisition costs	24	1,441	1,016
Other receivables	25	1,167	413
Cash and cash equivalents	26(a)	1,294	1,020
Branch preliminary expenses		683	218
Total assets		**88,918**	**69,569**
LIABILITIES			
Insurance contract liabilities	17	25,896	18,991
Provisions for unearned premium and unexpired risks	27	23,041	18,664
Reinsurance arrangement creditors		2,511	2,706
Bank overdraft	26(b)	586	-
Tax payable		666	281
Deferred tax liabilities	20	675	373
Other payables	28	1,598	931
Total liabilities		**54,973**	**41,947**
Total net assets		**33,945**	**27,622**

The financial statements on pages 8 to 49 were authorised and approved for issue by the board of directors on April 15, 2016 and signed on its behalf by:

....	....	....
Shaffin Jamal	**Yogesh Manek**	**K V A Krishnan**
Chairman	Director	Managing Director

The significant accounting policies on pages 15 to 26 and the notes on pages 27 to 49 form an integral part of these financial statements. Report of the Auditors' - Page 7

Alliance INSURANCE

Covering Risks. Improving Lives

Consolidated statement of changes in equity

For the year ended 31st December 2015

(All amounts in Tzs. 'millions' unless otherwise stated)

	Note	Share capital TZS. Millions	Capital reserve TZS. Millions	Contingency reserve TZS. Millions	Revaluation reserve TZS. Millions	Retained earnings TZS. Millions	Proposed dividends TZS. Millions	Non controlling interests TZS. Millions	Total TZS. Millions
At 1 January 2014		8,000	-	3,746	7,278	2,218	600	1,090	22,932
Fair value gain									
- on available for sale financial assets	36	-	-	-	3,850	-	-	-	3,850
- on property	36	-	-	-	688	-	-	-	688
Deferred tax charge on									
-fair value gain on available for-sale financial assets	36	-	-	-	(65)	-	-	-	(65)
-revaluation of property	36	-	-	-	(206)	-	-	-	(206)
Dep. charge on revaluation part of property	18	-	-	-	(32)	-	-	-	(32)
Reversal of Deferred tax charge on gain on revaluation of property	36	-	-	-	9	-	-	-	9
Profit for the year		-	-	-	-	6,188	-	473	6,661
Transfer to contingency reserve									
- general business	14	-	-	1,011	-	(1,011)	-	-	-
- long term business	14	-	-	62	-	(43)	-	(19)	-
Transfer to capital reserve		-	1	-	-	1	-	-	-
Dividends									
- final paid for 2013		-	-	-	-	-	(600)	-	(600)
- interim paid for 2014	12	-	-	-	-	(1,000)	-	-	(1,000)
Withholding tax on dividend capitalisation in subsidiary -Alliance Life Assurance Ltd.		-	-	-	-	(54)	-	(23)	(77)
Exchange loss on consolidation		-	-	-	-	(114)	-	-	(114)
At 31 December 2014		8,000	1	4,819	11,523	6,182	-	1,522	32,047
At 1 January 2015		8,000	1	4,819	11,523	6,182	-	1,522	32,047
Fair value gain/(loss)									
- on available for sale financial assets	36	-	-	-	(729)	-	-	-	(729)
Deferred tax charge on									
-fair value gain on available for-sale financial assets	36	-	-	-	30	-	-	-	30
Dep. charge on revaluation part of property	18	-	-	-	(54)	-	-	-	(54)
Reversal of Deferred tax charge on gain on revaluation of property	36	-	-	-	16	-	-	-	16
Profit for the year		-	-	-	-	6,300	-	274	6,574
Issue of shares		2,000	-	-	-	-	-	-	2,000
Transfer to contingency reserve									
- general business	14	-	-	1,840	-	(1,840)	-	-	-
- long term business	14	-	-	63	-	(44)	-	(19)	-
Transfer to capital reserve		-	-	-	-	-	-	-	-
Dividends									
- final paid for 2014		-	-	-	-	(3,105)	-	-	(3,105)
Exchange loss on consol-idation		-	-	-	-	12	-	-	12
At 31 December 2015		**10,000**	**1**	**6,722**	**10,786**	**7,505**	**-**	**1,777**	**36,791**

The significant accounting policies on pages 15 to 26 and the notes on pages 27 to 49 form an integral part of these financial statements. Report of the Auditors' - Page 7

Company statement of changes in equity

For the year ended 31st December 2015

(All amounts in Tzs. 'millions' unless otherwise stated)

	Note	Share capital TZS. Millions	Contingency reserve TZS. Millions	Revaluation reserve TZS. Millions	Retained earnings TZS. Millions	Proposed dividends TZS. Millions	Total TZS. Millions
At 1 January 2014		**8,000**	**3,608**	**7,043**	**1,017**	**600**	**20,268**
Fair value gain							
- on available for sale financial assets	36	-	-	3,689	-	-	3,689
- on property	36	-	-	328	-	-	328
Deferred tax charge on gain on revaluation of property	20	-	-	(98)	-	-	(98)
Profit for the year		-	-	-	5,036	-	5,036
Transfer to contingency reserve							
- general business	14	-	1,007	-	(1,007)	-	-
- long term business	14	-	-	-	-	-	-
Dividends							
- final paid for 2013		-	-	-	-	(600)	(600)
- interim paid for 2014	12	-	-	-	(1,000)	-	(1,000)
At 31 December 2014		**8,000**	**4,615**	**10,961**	**4,046**	**-**	**27,622**
At 1 January 2015		**8,000**	**4,615**	**10,961**	**4,046**	**-**	**27,622**
Fair value gain							
- on available for sale financial assets	36	-	-	1,741	-	-	1,741
Dep. charge on revaluation part of property	18	-	-	(22)	-	-	(22)
Reversal of Deferred tax charge on gain on revaluation of property	20	-	-	7	-	-	7
Profit for the year		-	-	-	5,702	-	5,702
Issue of shares		2,000	-	-	-	-	2,000
Transfer to contingency reserve							
- general business	14	-	1,794	-	(1,794)	-	-
- long term business	14	-	-	-	-	-	-
Dividends							
- final paid for 2014		-	-	-	(3,105)	-	(3,105)
At 31 December 2015		**10,000**	**6,409**	**12,687**	**4,849**	**-**	**33,945**

The significant accounting policies on pages 15 to 26 and the notes on pages 27 to 49 form an integral part of these financial statements. Report of the Auditors' - Page 7

Alliance INSURANCE

Covering Risks. Improving Lives

Consolidated and company Statement of cash flows

For the year ended 31st December 2015 *(All amounts in Tzs. 'millions' unless otherwise stated)*

	Note	Group 2015 TZS. Millions	Group 2014 TZS. Millions	Company 2015 TZS. Millions	Company 2014 TZS. Millions
Operating activities					
Cash generated from/(used in) operations	31	3,919	2,438	1,663	3,181
Tax paid		(1,561)	(1,184)	(1,222)	(944)
Net cash generated from/(used in) operations		**2,358**	**1,254**	**441**	**2,237**
Investing activities					
Purchase of property & equipment	18	(276)	(376)	(170)	(150)
Purchase of intangible assets	19	(38)	-	(37)	-
Purchase of financial assets	21	(21,593)	(17,836)	(14,885)	(11,830)
Purchase of shares in subsidiary	29	-	-	(81)	(2,608)
Advance for purchase of property		-	(105)	-	-
Proceeds from disposal of financial assets	21	16,437	14,420	11,689	10,922
Proceeds from disposal of property & equipment		11	9	9	3
Proceeds from disposal of quoted shares		652	2,095	652	2,095
Interest received		1,863	1,312	1,294	985
Dividend received		515	540	515	540
Net cash generated from/(used in) investing activities		**(2,429)**	**61**	**(1,014)**	**(42)**
Financing activities					
Proceeds from issue of shares	13	2,000	-	2,000	-
Withholding tax paid on dividend capitalisation		-	(77)	-	-
Increase of borrowings		-	(979)	-	-
Loan to subsidiary		-	-	(987)	479
Dividend paid - ordinary shareholders	12	(3,105)	(1,600)	(3,105)	(1,600)
Branch preliminary expenses		(465)	(154)	(465)	(154)
Net cash generated from/(used in) financing activities		(1,570)	(2,810)	(2,557)	(1,275)
Increase/(decrease) in cash and cash equivalents		(1,641)	(1,495)	(3,130)	920
Movement in cash and cash equivalents					
As at 1 January		(334)	683	1,020	(342)
Increase/(decrease) in cash and cash equivalents		(1,641)	(1,495)	(3,130)	920
Effect of exchange rates changes on cash and cash equivalents		3,012	592	2,818	442
Exchange loss on consolidation		12	(114)	-	-
As at 31 December	**26(a)**	**1,049**	**(334)**	**708**	**1,020**

The significant accounting policies on pages 15 to 26 and the notes on pages 27 to 49 form an integral part of these financial statements.
Report of the Auditors' - Page 7

1. GENERAL INFORMATION

Alliance Insurance Corporation is incorporated in Tanzania under the Companies Act 2002 and is domiciled in Tanzania. The address of its registered office is : 7th Floor, Exim Tower, Ghana Avenue, P.O. Box 9942, Dar es Salaam.

The Group's principal activities relates to underwriting all classes of life assurance and non-life insurance (General Insurance) risks as defined by the Insurance Act. Life assurance business relates to underwriting of risks relating to Group Life/Disability insurance (providing benefits to employee's beneficiaries), Group credit life (covers risk for employers or financial institutions which have advances loans to borrowers), Group funeral Insurance (provides burial expense benefits to employees or members of an affinity group) and Keyman insurance risks. General insurance business relates to all other categories of short term insurance business written by the Group, analysed into several sub classes of business based on the nature of the assumed risks.

With a view to provide better services to customers, Alliance Life Assurance Limited was incorporated in year 2010, as a new subsidiary within the group, to exclusively transact life assurance business. The new company started commercial operations from 1 July 2010 and these consolidated financial statements include the results of this subsidiary for year ended 31 December 2015.

In year 2011, Alliance Insurance Corporation Limited became 99% shareholders of Dar-es-Salaam Properties Limited which was initially an associate with 45% of the shareholdings. Dar-es-Salaam Properties Limited was incorporated on 23 August 2010 as an associate and the company's principal activity is leasing out residential furnished apartments. These consolidated financial statements include the results of this subsidiary for the year ended 31 December 2014.

In year 2013, the company promoted and incorporated a new company, Alliance Africa General Insurance Limited ("foreign subsidiary") in Uganda with 99% shareholding for transacting general insurance business. The foreign subsidiary commenced operations from December 2014. These consolidated financial statements include the results for this new subsidiary for the year ended 31 December 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These financial statements are the consolidated financial statements of Alliance Insurance corporation Limited, a company registered in Tanzania, and its subsidiaries (together 'the Group').

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB. The measurement basis used is the historical cost basis except where otherwise stated in the accounting polices below.

The preparation of financial statements in conformity with IFRS requires use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group's accounting policies. The areas involving a higher degree of judgment or complexity or where assumptions and estimates are significant to the financial statements are discussed in (c) & (d) below.

(i) Adoption of new and revised International Financial reporting standards

All new and revised standards and interpretations that have become effective for the first time in the financial year beginning 1st January 2015 have been adopted by the company. Of those, the following have had an effect on the company's financial statements:

- IAS 1 (Amendment) - Presentation of financial statements: The amendment requires entities to group items of other comprehensive income according to whether or not they will be subsequently reclassified to profit or loss.

-IFRS 13- Fair Value Measurement- The new standard defines fair value, sets out a framework for measuring fair value, and requires disclosure about fair value measurements. IFRS 13 applies when other standards require or permit fair value measurements: it does not introduce any new requirement to measure an asset or liability at fair value.

(ii) New and revised standards and interpretations which have been issued but are not effective

The company has not applied the following revised standards and interpretations that have been published but are not yet effective for the year beginning 1st January 2015.

- Amendments to IAS 16 and IAS 38 titled Clarification of Acceptable Methods of Depreciation and Amortisation (issued in May 2014) – The amendments add guidance and clarify that (i) the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, and (ii) revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset; however, this presumption can be rebutted in certain limited circumstances. They are prospectively effective for annual periods beginning on or after 1 January 2016.

- IFRS 15 Revenue from Contracts with Customers (issued in May 2014) - The new standard, effective for annual periods beginning on or after 1 January 2018, replaces IAS 11, IAS 18 and their interpretations (SIC-31 and IFRIC 13, 15 and 18). It establishes a single and comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance.

- IFRS 9 Financial Instruments (issued in July 2014) – This standard will replace IAS 39 (and all the previous versions of IFRS 9) effective for annual periods beginning on or after 1 January 2018. It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition:

IFRS 9 requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.

For financial liabilities, the most significant effect of IFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

For the impairment of financial assets, IFRS 9 introduces an "expected credit loss" model based on the concept of providing for expected losses at inception of a contract; it will no longer be necessary for there to be objective evidence of impairment before a credit loss is recognised.

For hedge accounting, IFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

The derecognition provisions are carried over almost unchanged from IAS 39.

The Directors have assessed the potential impact of the above and expect that they will not have a significant impact on the company's financial statements for 2015.

(b) Consolidation policy

(i) Investment in Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

The group also assesses the existence of control where it does not have more than 50% of the 'voting rights power but is able to govern the financial and operating policies of a subsidiary. Control may arise in circumstances where the size of the group's voting rights relative to the size and dispersion of holdings of other shareholders give the group the power to govern the financial and operating policies, etc.

(c) Consolidation policy (continued)

(i) Investment in Subsidiaries (continued)

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are charged to profit or loss as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 'Financial Instruments: Recognition and Measurement' either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

- Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions

– that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

- Disposal of subsidiaries

When the group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(b) Consolidation policy (continued)

(ii) Investment in associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The group's share of post-acquisition profit or loss is recognised in profit or loss, and its share of post acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the company and its associates are eliminated to the extent of the company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Dilution gains and losses arising in investments in associates are recognised in profit or loss.

(iii) Functional currency and translation of foreign currencies

Functional and presentation currency

Items included in the financial statements of each of the functional currency of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Tanzania Shillings, which is the entities' functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency of the respective entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary financial assets, such as equities classified as available for sale financial assets, are included in the available-for-sale reserve in equity.

(c) Critical accounting estimates and assumptions
In the process of applying the group entities' accounting policies, the group entities' management makes certain estimates and assumptions about future events. In practice, the estimated and assumed results would differ from the actual results. Such estimates and assumptions, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

(i) Provision for unearned premium
Unearned premium reserves are calculated using the 1/24th method for all classes. The assumption made is that the premiums are written equally throughout the month.

(c) Critical accounting estimates and assumptions (continued)

(i) Provision for unearned premium (continued)

Provision for claims is calculated either on case to case basis or by approximation on the basis experience and best available information as at the date of statement of financial position, and the experience of the management is used in addition to the best available information as at the year-end. Guidance is also taken from the group entities' legal departments in relation to the reserves to be maintained on particular claims. Provisions have also been made for claims incurred but not reported (IBNR) which is calculated at greater of 20% of the outstanding claims or 5% of net premiums earned, as prescribed in Regulations 27 (2) (a) of The Insurance Regulations, 2009.

The adequacy of provision for claims is evaluated each year using standard actuarial techniques, historical experience and expectation of future events that are believed to be reasonable under prevailing circumstances. In addition, IBNR reserves are set to recognize the estimated costs of losses that have occurred but which have not yet been notified to the group entities.

(d) Critical accounting judgments

In the process of applying the entities' accounting policies, the entities' management do make certain judgments, that are continuously assessed based on prior experience and other determinants, including expectations of future events, that, under the circumstances are deemed to be reasonable, as described below:

(i) Government securities

The government securities are classified as held-to-maturity as the entity does not have any intention to sell them before the maturity date. This is also demonstrated based on the entity's past events of the preceding two years.

(ii) Quoted and unquoted shares

The quoted and unquoted shares are classified as available-for-sale and carried at fair value as the management have indicated that these may be sold in response to the liquidity needs of the entities.

(iii) Non-financial assets

The group entities review their non financial assets to assess the likelihood of impairment on an annual basis. In determining whether such assets are impaired, the management makes judgments as to whether there are any conditions that indicate potential impairment of such assets.

(iv) Deferred acquisition costs

For general business commission costs that vary with and are related to securing new contracts and renewing existing contracts are capitalised as deferred acquisition costs (DAC). All other costs are recognised as expenses when incurred. The DAC is subsequently amortised over the life of the contracts using the 1/24 method and tested for impairment at each statement of financial position date. Any amount not recoverable is expensed in the statement of comprehensive income.

Deferred acquisition costs are derecognised when the related contracts are settled or disposed off.

(e) Underwriting results

The underwriting results for general business are determined on an annual basis whereby the incurred cost of claims, commissions and related expenses are charged against the earned portion of premiums, net of reinsurance, as follows:

General insurance business

(i) **Premiums written** relates to risks assumed during the year and includes estimates of premiums due but not yet received, less an allowance for cancellations and less unearned premiums. Premiums are shown before deduction of commission and are gross of any taxes or duties levied on premiums.

Revenue from risks underwritten comprises the fair value of the consideration received or receivable for underwriting the risk in the ordinary course of business less rebates and discounts. The entities recognise revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when the specific criteria have been met for the entities' activities. The amount of revenue is not considered to be reliably measured until

(e) Underwriting results (continued)

General insurance business (continued)

all contingencies relating to the underwriting of the risks have been resolved. The group entities base their estimates on historical results, taking into consideration the type of customer, type of transaction and specifics of each arrangement.

(ii) Unearned premiums represents the proportion of the premiums written (gross of reinsurance) in periods up to the accounting date which related to the unexpired terms of policies in force at the statement of financial position date and are calculated using the 1/24th method.

(iii) Claims incurred comprise claims paid in the year and changes in the provision for outstanding claims. Claims paid represent all payments made during the year, whether arising from events during that year or earlier years.

(iv) Provision for outstanding claims represents the best judgment estimate of cost of settling all claims arising from incidents occurring up to the statement of financial position date. Provision for outstanding claims are computed on the basis of the best available information at the time the records for that year are closed and include provisions for claims incurred but not reported (IBNR), calculated at 20% of the outstanding claims or 5% of net premium earned, as prescribed in regulations 27 (2) (a) of The Insurance Regulations,2009.

(v) Expenses and commissions are allocated to the relevant revenue accounts as incurred in the management of each class of business. Commissions received and paid are shown gross. Certain expenses of general insurance business being depreciation, provision for impairment of premium receivable and audit fees, are not allocated to the revenue account but charged directly to the statement of comprehensive income.

Life assurance business

(i) Premiums written – premium in respect of the life assurance policies is recognized as income when due from the policyholders. Premiums are shown before deduction of commissions.

(ii) Claims incurred comprise claims paid in the year and changes in the provision for outstanding claims. Claims paid represent all payments made during the year, whether arising from events during that year or earlier years.

(iii) Provisions for claims represent the best judgment estimate of cost of settling all claims arising from incidents occurring up to the statement of financial position date. Outstanding claims are computed on the basis of the best available information at the time the records for the year are closed.

(iv) Long term liabilities

Actuarial valuation is used to arrive at the long term liabilities of each sub class of business.

(f) Commission received

The entities do earn commission in respect of the business ceded to re-insurers. Commission is recognized over the life of the contract.

(g) Liability adequacy test

At each reporting date the group entities perform a liability adequacy test on their insurance liabilities less related deferred acquisition costs and intangible assets to ensure that the carrying values are adequate, using current estimates of future cash flows, taking into account the relative investment return. If the assessment shows that the carrying amount of the liabilities is inadequate, any deficiency is recognised as an expense to the income statement initially by writing off the intangible assets and subsequently by recognising an additional liability for claims provisions or recognising a provision for unexpired risks. The unexpired risks provision is assessed in aggregate for business classes which are managed together.

(h) Salvage and subrogation reimbursements

Some insurance contracts permit insurers to sell (usually damaged) property acquired in settling a claim (for example, salvage). The entities may also have the right to pursue third parties for payment of some or all costs (for example, subrogation).

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

Re-imbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognised in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

(i) Reinsurance arrangements

Contracts entered into by the group entities with reinsurers under which the entities are compensated for losses on one or more contracts issued by the entities and that meet the classification requirements for insurance contracts are classified as reinsurance arrangements. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by a group entity under which the contract holder is another insurer (inwards reinsurance) are included within insurance arrangements. The benefits to which the entity is entitled under its reinsurance contracts held are recognised as reinsurance assets.

Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

(j) Translation of foreign currencies

Transactions in foreign currencies during the year are converted into Tanzania Shillings (the functional currency), at rates ruling at the transaction dates. Assets and liabilities at the balance sheet date which are expressed in foreign currencies are translated into Tanzania Shillings at rates ruling at that date. The resulting differences from conversion and translation are dealt with in the statement of comprehensive income in the year in which they arise.

(k) Property and equipment

All property and equipment is initially recorded at cost and thereafter stated at historical cost less depreciation. Historical cost comprises expenditure initially incurred to bring the asset to its location and condition ready for its intended use.
Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to a group entity and the cost can be reliably measured. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred.
Increases in the carrying amount arising on revaluation are credited to other comprehensive income except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. Decrease that offset previous increase of the same asset are charged to other comprehensive income; all other decrease are charged to profit or loss.

Depreciation is calculated on the straight line basis to write down the cost of each asset, to its residual value over its estimated useful life using the following annual rates:

Asset description	Rate %
Buildings	5
Exim Tower interior renovation	20
Motor vehicles	20
Furniture and fittings	10
Office equipment	25
Computer equipment	33.33

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

(k) Property and equipment (continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of property and equipment are determined by comparing the proceeds with the carrying amount and are taken into account in determining profit before tax.

(l) Intangible assets

Computer software

Computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives which are estimated to be 5 years.

Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by a group entity, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development staff costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives which are estimated to be 5 years.

(m) Financial instruments

Financial assets

The group entities' financial assets which include cash and cash equivalents, quoted and unquoted shares, government securities, deposits with banks and other financial institutions, reinsurance arrangement debtors, other receivables, receivables arising out of direct insurance arrangements and reinsurers' share of insurance liabilities fall into the following categories:

(i) **Held-to-maturity:** financial assets with fixed or determinable payments and fixed maturity where the management have the positive intent and ability to hold to maturity. Such assets are carried at amortised cost using the effective interest rate method. Changes in the carrying amount are recognised in the statement of comprehensive income.

(ii) **Available-for-sale:** financial assets that are held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rate. Such assets are classified as non-current assets except where the management intends to dispose the assets within 12 months of the statement of financial position date and are carried at fair value where fair value gains or losses are recognised in equity, net of deferred tax.

(iii) **Loans and receivables:** financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are classified as current assets where maturities are within 12 months of the balance sheet date. All assets with maturities greater than 12 months after the balance sheet date are classified as non-current assets. Such assets are carried at amortised cost using the effective interest rate method. Changes in the carrying amount are recognised in the statement of comprehensive income.

(iv) **Financial assets at fair value** through profit and loss: financial assets that are acquired or incurred principally for the purpose of generating a profit from short term fluctuation in price or dealer's margin. Such assets are carried at fair value where fair value gains or losses are included in the statement of comprehensive income.

This category has two sub-categories:

(i) Financial assets held for trading; and
(ii) Those designated at fair value through profit or loss at inception.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Financial assets and financial liabilities are designated at fair value through profit or loss when:

(m) Financial instruments (continued)

(i) Doing so significantly reduces measurement inconsistencies that would arise if the related assets were treated as held for trading and the underlying financial instruments were carried at amortised cost for such as loans and advances to customers or entities and;

(ii) Certain investments, such as equity investments, that are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis are designated at fair value through profit and loss.

Purchases and sales of financial assets are recognised on the trade date i.e. the date on which a group entity commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the group entity has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Impairment of financial assets

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. Impairment of financial assets is recognised in the income statement under administrative expenses when there is objective evidence that the group entity will not be able to collect all amounts due per the original terms of the contract. Significant financial difficulties of the issuer, probability that the issuer will enter bankruptcy or financial reorganisation, default in payments and a prolonged decline in fair value of the asset are considered indicators that the asset is impaired.

Subsequent recoveries of amounts previously written off/impaired are credited to the statement of comprehensive income/ statement of changes in equity in the year in which they occur.

Gains and losses on disposal of assets whose changes in fair value were initially recognised in the statement of comprehensive income are determined by reference to their carrying amount and are taken into account in determining operating profit. On disposal of assets whose changes in fair value were initially recognised in equity, the gains/losses are recognised in the reserve, where the fair values were initially recognised. Any resultant surplus/deficit after the transfer of the gains/losses are transferred to retained earnings.

Management classifies financial assets as follows:

(i) Cash and cash equivalents, reinsurance arrangement debtors, other receivables, receivables arising out of direct insurance arrangements and reinsurers' share of insurance liabilities are classified as loans and receivables.

(ii) Government securities acquired on first issue directly from the government and deposits with banks and other financial institutions are classified as held-to-maturity as the group entity has the intention and ability to hold these to maturity.

(iii) Quoted and unquoted shares are classified as 'available-for-sale' financial instruments. The fair values of quoted investments are based on current bid prices at the statement of financial position date. Where fair values cannot be reliably measured (unquoted investments), the group entity establishes fair value by using valuation techniques or carries these investments at cost less provision for impairment.

Financial liabilities

The group entities' financial liabilities which include insurance contract liabilities, provisions for unearned premium and unexpired risks, reinsurance arrangement creditors, deferred income and other payables fall into the following category:

Financial liabilities measured at amortised cost: These include insurance contract liabilities, provisions for unearned premium and unexpired risks, reinsurance arrangement creditors, deferred income and other payables. These are initially measured at fair value and subsequently measured at amortised cost, using the effective interest rate method.

All financial liabilities are classified as current liabilities unless the entity has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Financial liabilities are derecognised when, and only when, the entities' obligations are discharged, cancelled or expired.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(n) Investment and dividend income

Investment income is stated net of investment expenses. Interest is recognised as income in the year in which it is earned.

Dividends are recognised as income in the period in which they are declared.

(o) Accounting for leases

A group entity as a lessee

Leases of assets where a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight line basis over the period of the lease.

A group entity as a lessor

Assets leased to third parties under operating leases are included in property and equipment in the statement of financial position.

Leased assets are recorded at historical cost less depreciation.

Depreciation is calculated on the straight line basis to write down the cost of leased assets to their residual values over their estimated useful life using annual rates consistent with the normal depreciation policies for similar assets under property and equipment.

Gains and losses on disposal of leased assets are determined by reference to their carrying amount and are taken into account in determining operating profit.

(p) Employee entitlements

Employee entitlements to leave are recognised when they accrue to employees. A provision is made for the estimated liability for such entitlements as a result of services rendered by employees up to the statement of financial position date.

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

(q) Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in equity. In this case, the tax is also recognised in equity.

Current tax

Current tax is provided on the results for the year, adjusted in accordance with tax legislation.

Deferred tax

Deferred tax is provided using the liability method for all temporary timing differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary timing differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of temporary differences is controlled by the group and it is probable that temporary differences will not reverse in the foreseeable future.

(r) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks and financial assets with maturities of less than 3 months, net of bank overdrafts and money market lines.

In the statement of financial position, bank overdrafts are included within borrowings in current liabilities.

Restricted cash balances are those balances that group entities cannot use for working capital purposes as they have been placed under lien to secure borrowings or as per the requirements of the Insurance Act, 2009.

(s) Retirement benefit obligations

The group entities and their employees contribute to the National Social Security Fund (NSSF) and Parastatal Pension Fund (PPF). These are statutory defined contribution scheme registered under the Parastatal Pension Fund Act, 1978 and National Social Security Fund Act, 1997 respectively. The entities' contributions to the defined contribution scheme are charged to the statement of comprehensive income in the year to which they relate.

(t) Share capital

Ordinary shares are classified as equity.

(u) Dividends

Proposed dividends are disclosed as a separate component of equity until declared.

Dividends are recognised as liabilities in the year in which they are approved by the group shareholders.

(v) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. As these financial statements are the set of consolidated financial statements of the group, the comparative figures represent figures of the holding company (Alliance Insurance Corporation Limited).

1. Gross earned premiums

The group is organised into two main divisions, general insurance which is written by Alliance Insurance Corporation Limited ('the Company') and life assurance which is written by the Company and its subsidiary. Life assurance business relates to the underwriting of risks relating to death of an insured person, and includes contracts subject to the payment of premiums for a term dependent on the termination or continuance of the life of an insured person. General insurance business relates to all other categories of short term insurance business written by the company, analysed into several sub-classes of business based on the nature of the assumed risks. As required by Insurance Act 2009, a new company, Alliance Life Assurance Limited ('Subsidiary') was incorporated for transacting life insurance business in the financial year 2010 and the Company is holding 70% shares. The subsidiary commenced operations from 1 July 2010. Prior to 1 July 2010, both general and life insurance businesses were being written by the Company. In year 2012, the company opened a branch in Comoros for transacting general insurance business. In year 2013, the company promoted and incorporated a new company, Alliance Africa General Insurance Limited ("foreign subsidiary") in Uganda with 99% shareholding for transacting general insurance business.
The foreign subsidiary commenced operations from December 2014.

The gross premium income of the Alliance group net of unearned premiums can be analysed between the main classes of business as shown below:

(All amounts in Tzs. 'millions' unless otherwise stated)

	Group	
General insurance business	**2015 Gross earned premium**	**2014 Gross earned premium**
Fire	15,465	11,975
Motor	25,683	19,372
Marine	4,780	5,048
Miscellaneous	14,670	13,014
Engineering	1,484	2,100
Comoros operations	980	872
Gross written premium	**63,062**	**52,381**
Less: Movement in unearned premium	(5,281)	(4,409)
Gross earned premium	**57,781**	**47,972**
Life assurance business		
Ordinary life	276	123
Group life	9,893	9,597
	10,169	9,721
Total	**67,950**	**57,693**

	Company	
General insurance business	**2015 Gross earned premium**	**2014 Gross earned premium**
Fire	15,038	11,975
Motor	25,099	19,358
Marine	4,552	5,048
Miscellaneous	14,062	13,014
Engineering	1,046	2,089
Comoros operations	980	872
Gross written premium	**60,777**	**52,356**
Less: Movement in unearned premium	(4,377)	(4,399)
Gross earned premium	**56,400**	**47,957**

2. Premiums ceded out to reinsurers

(All amounts in Tzs. 'millions' unless otherwise stated)

	Group	
	2015	2014
	Net	Net
	Reinsurance	Reinsurance
General insurance business	premiums	premiums
Fire	12,688	9,405
Motor	3,774	3,351
Marine	2,845	3,753
Miscellaneous	12,354	11,203
Engineering	707	1,529
Comoros operations	209	245
Gross ceded premium	32,577	29,486
Less: Movement in reinsurer's portion of unearned premium	(1,293)	(1,886)
Net reinsurance premium	**31,284**	**27,600**
Life assurance business		
Ordinary life	39	39
Group life	3,799	3,504
	3,838	3,543
Total	**35,122**	**31,143**

	Company	
	2015	**2014**
	Net	**Net**
	Reinsurance	**Reinsurance**
General insurance business	**premium**	**premium**
Fire	12,427	9,405
Motor	3,738	3,351
Marine	2,783	3,753
Miscellaneous	12,098	11,203
Engineering	492	1,518
Comoros operations	209	245
Gross ceded premium	31,747	29,475
Less: Movement in reinsurer's portion of unearned premium	(965)	(1,882)
Net reinsurance premium	**30,782**	**27,593**

3. Investment income

	2015 Group	2014 Group	2015 Company	2014 Company
Interest from government securities:				
- 'held-to-maturity'	1,151	877	993	758
Interests from fixed deposits				
- 'held-to-maturity'	1,626	1,228	738	645
Interest on loan to subsidiary	-	-	70	54
Dividends income:				
- 'available - from - sale'	515	540	515	540
Gain on disposal of shares	427	1,938	427	1,938
Net foreign exchange gains	3,012	592	2,818	442
	6,731	**5,176**	**5,561**	**4,377**

(All amounts in Tzs. 'millions' unless otherwise stated)

		2015 Group	2014 Group	2015 Company	2014 Company
4.	**Commission received**				
	Gross commissions received	5,677	5,045	4,781	4,550
	Movement in deferred acquisition costs	(66)	-	-	-
		5,611	**5,045**	**4,781**	**4,550**
5.	**Other income**				
	Profit on disposal of property and equipment	7	1	7	1
	Release of life fund	11	183	11	183
	Others	41	17	40	10
		59	**200**	**58**	**194**

6. Claims and policyholders benefits payable

			Group	
General insurance business	**Gross**	**Reinsurance share**	**2015 Net**	**2014 Net**
Fire	3,870	(2,870)	1,000	772
Motor	9,198	(1,168)	8,030	7,720
Marine	1,883	(1,058)	825	596
Miscellaneous	1,671	(1,259)	412	745
Engineering	379	(245)	134	104
	103	-	103	128
	17,104	**(6,600)**	**10,504**	**10,065**
Change in liabilities				
Change in claims in IBNR Provision	1,329	(751)	578	408
Change in claims provisions	5,788	(3,618)	2,170	1,953
	7,117	**(4,369)**	**2,748**	**2,360**
Total general insurance business	**24,221**	**(10,969)**	**13,252**	**12,425**
Life assurance business				
Group life	5,457	(2,726)	2,731	1,877
Total	**29,678**	**(13,695)**	**15,983**	**14,302**

		Company		
General insurance business	**Gross**	**Reinsurance share**	**2015 Net**	**2014 Net**
Fire	3,870	(2,870)	1,000	772
Motor	9,124	(1,168)	7,956	7,720
Marine	1,872	(1,058)	814	596
Miscellaneous	1,667	(1,259)	408	745
Engineering	379	(245)	134	104
Comoros operations	103	-	103	128
	17,015	**(6,600)**	**10,415**	**10,065**
Change in liabilities				
Change in claims in IBNR Provision	1,155	(723)	432	408
Change in claims provisions	5,762	(3,614)	2,148	1,953
	6,917	(4,337)	2,580	2,360
Total general insurance business	**23,932**	**(10,937)**	**12,995**	**12,425**

(All amounts in Tzs. 'millions' unless otherwise stated)

6. Claims and policyholder benefits payable (continued)

	Company			
	Gross	**Reinsurance share**	**2015 Net**	**2014 Net**
Life assurance business				
Group life	-	-	-	10
Total	**23,932**	**(10,937)**	**12,995**	**12,435**

7. Profit before tax

	2015 Group	2014 Group	2015 Company	2014 Company
The following items have been charged in arriving at operating profit before tax:				
Staff costs (Note 8)	6,175	4,204	4,273	3,018
Auditors' remuneration	89	67	33	31
Depreciation on plant and equipment (Note 18)	416	433	221	232
Amortisation (Note 19)	8	1	8	1
Net foreign exchange loss/(gain)	**(3,012)**	**(592)**	**(2,818)**	**(442)**

8. Staff costs

Staff costs include the following:

Salaries and wages	4,902	3,519	3,441	2,378
Social security benefit costs	526	352	440	317
Other staff cost	747	333	392	322
	6,175	**4,204**	**4,273**	**3,018**

9. Commission expenses

Gross commission expenses	10,018	7,285	7,874	5,593
Movement in deferred acquisition costs	(608)	(579)	(425)	(579)
	9,410	**6,706**	**7,449**	**5,014**

10. Tax charge

Current income tax	1,823	1,261	1,581	1,095
Final withholding tax on dividend income	26	27	26	27
Deferred tax charge/(credit) (Note 20)	298	271	309	249
	2,147	**1,560**	**1,916**	**1,371**

The tax on the company's profit before tax differs from the theoretical amount that would arise using the basic rate as follows:

Profit before tax	8,721	8,221	7,618	6,407
Less: Profit from Long Term Business	(11)	(173)	(11)	(173)
Profit as restated for effective tax charge	**8,710**	**8,048**	**7,607**	**6,234**
Tax calculated at a tax rate of 30% (2014: 30%)	2,613	2,414	2,282	1,870
Tax effect of:				
- tax effect of income not subject to tax	(3,792)	(1,670)	(551)	(735)
- expenses not deductible for tax purposes	3,326	815	185	236
Tax charge	**2,147**	**1,560**	**1,916**	**1,371**

11. Earning per share

Earnings per share is calculated by dividing the consolidated profit for the year attributable to equity shareholders by the weighted average number of ordinary shares in issue during the year.

	2015	2014
Profit for the year attributable to equity shareholders (Tzs millions)	6,574	6,661
Weighted average number of ordinary shares	200,000	160,000
Earnings per share- basic (in Tzs)	**32,870**	**41,634**

There were potentially no diluted shares outstanding as at 31 December 2015 and 31 December 2014.

12. Dividends

No interim dividend was declared or paid to shareholders during the year (2014: 1 billion).

In accordance with the Tanzanian Companies Act (2002), these financial statements reflect this dividend paid/payable which is accounted for in shareholders' funds as an appropriation of retained profits in the year ended 31 December 2015.

Payment of dividend is subject to approval of by shareholders in the annual general meeting.

The directors propose a final dividend of Tzs. 3,200 million for the year ended 31.12.2015 (2014: 3,105 million).

13. Share capital

	2015	2014
Authorised		
1,000,000 (2014: 200,000) ordinary shares of Tzs 50,000 each	50,000	10,000
Issued and fully paid		
200,000 (2014: 160,000) ordinary shares of Tzs 50,000 each	**10,000**	**8,000**

On 3rd August, 2015, fresh issue of 40,000 shares of face value of Tzs. 50,000 each was made at par to the existing shareholders in their current shareholding ratio.

On 1st December, 2015, authorised share capital was increased from Tzs. 10 billion to Tzs. 50 billion divided into 1,000,000 ordinary shares for Tzs. 50,000 each.

14. Statutory reserves

The statutory reserve represents capital reserve and contingency reserves transferred as required by Insurance Regulations whose distribution is subject to restrictions imposed by the Insurance Act, 2009. Movements in the statutory reserve are shown in the statement of changes in equity on pages 12 and 13.

In accordance with regulation 27(3)(b) of the Insurance Regulations, 2009, a contingency reserve at the rate of 1% of the premium has been created for long term business and 3% of the premium for general business in accordance with regulation 27(2)(b).

15. Revaluation reserves

Movements in the fair value reserve are shown in the note 36.

16. Retained earnings

The retained earnings balance represents the amount available for dividend distribution to the shareholders of the company. The movements are shown on pages 12 and 13.

(All amounts in Tzs. 'millions' unless otherwise stated)

17. Insurance contract liabilities

(i) Long term insurance contracts	2015 Group	2014 Group	2015 Company	2014 Company
- actuarial value of long term liabilities	3,334	2,723	90	101
- claims reported and claims handling expenses	3,603	2,152	502	502
Total long term	**6,937**	**4,875**	**592**	**603**
(ii) Short term insurance contracts				
Non-life				
- claims reported and claims handling expenses	21,262	15,326	21,088	15,326
- claims incurred but not reported	4,242	3,062	4,216	3,062
Total non-life	**25,504**	**18,388**	**25,304**	**18,388**
Total	**32,441**	**23,263**	**25,896**	**18,991**

Actuarial value of policy holder liabilities

The annual actuarial valuation of the Life Fund was carried out by the Consulting Actuaries, ARCH Actuarial Consulting CC as at 31 December 2015, there was no transfer made to the shareholders funds in the year 2015 (2014: Tzs. nil).

Short term insurance contracts

Gross claims reported, claims handling expenses liabilities and the liability for claims incurred but not reported are net of expected recoveries from salvage and subrogation.

The company uses chain-ladder techniques to estimate the ultimate cost of claims and the IBNR provision. Chain ladder techniques are used as they are an appropriate technique for mature classes of business that have a relatively stable development pattern. This involves the analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to cumulative claims data for each accident year that is not fully developed to produce an estimated ultimate claims cost for each accident year.

The development of insurance liabilities provides a measure of the company's ability to estimate the ultimate value of claims. The table below illustrates how the company's estimate of total claims outstanding for each accident year has changed at successive year ends.

Estimate of ultimate claims costs	Prior years	2010	2011	2012	2013	2014	2015	Total
At end of Accident Year	25,910	3,417	9,400	9,098	4,776	8,498	13,318	74,417
One year later	25,311	4,130	10,632	7,864	6,741	9,208	-	63,886
Two years later	24,683	4,457	11,642	7,900	6,116	-	-	54,798
Three years later	23,111	4,794	11,879	7,421	-	-	-	47,205
Four years later	23,445	4,876	12,122	-	-	-	-	40,443
Five years later	23,427	4,666	-	-	-	-	-	28,093
Six years later	23,943	-	-	-	-	-	-	23,943
Current estimate of cumulative claims	23,943	4,666	12,122	7,421	6,116	9,208	13,318	76,794
Less: Cumulative payments to date	(22,636)	(4,580)	(10,449)	(6,363)	(5,500)	(6,183)	-	(55,711)
Liability in the statement of financial position	1,307	86	1,673	1,058	616	3,025	13,318	21,083
Liability in respect of prior years' IBNR	261	17	335	212	123	605	2,663	4,216
Total Gross Liability included in the . statement of financial position	1,568	103	2,008	1,270	739	3,630	15,981	25,299
Comoros Operations	-	-	-	-	-	-	5	5
Total	**1,568**	**103**	**2,008**	**1,270**	**739**	**3,630**	**15,986**	**25,304**

(All amounts in Tzs. 'millions' unless otherwise stated)

Short term insurance contracts (continued)

Movements in insurance liabilities and reinsurance assets (Short Term Insurance Business)

General insurance business	Gross	Reinsurance	2015 Net	2014 Net
Notified claims	15,326	7,622	7,704	5,751
IBNR	3,062	1,524	1,537	1,130
Total at beginning of Year	**18,388**	**9,147**	**9,241**	**6,881**
Cash paid for claims settled in year	(17,015)	(6,600)	(10,415)	(10,065)
Increase in liabilities:				
- arising from current year claims	25,768	11,775	13,993	11,438
- arising from prior year claims	(1,837)	(839)	(998)	987
Total at end of year	**25,304**	**13,483**	**11,821**	**9,241**
Notified claims	21,088	11,236	9,852	7,704
IBNR	4,216	2,247	1,969	1,537
Total at end of year	**25,304**	**13,483**	**11,821**	**9,241**

(All amounts in Tzs. 'millions' unless otherwise stated)

18. Property and equipment

	Group								
	Buildings	Leasehold improvements	Exim Tower Expenses	Motor Vehicles	Furniture and Fittings	Office Equip-ments	Other Equip ments	Computer Equip ments	Total
Cost									
At 1 January 2014	4,655	139	168	208	258	128	57	254	5,867
Revaluation	688	-	-	-	-	-	-	-	688
Additions	-	-	-	146	133	15	-	82	376
Disposals/write off	-	-	-	(8)	-	(1)	-	-	(9)
At 31 December 2014	**5,343**	**139**	**168**	**346**	**391**	**141**	**57**	**336**	**6,922**
At 1 January 2015	5,343	139	168	346	391	141	57	336	6,922
Additions	-	-	-	129	77	25	-	45	276
Disposals/write off	-	-	-	(87)	-	-	-	-	(87)
At 31 December 2013									
At 31 December 2015	**5,343**	**139**	**168**	**388**	**468**	**166**	**57**	**381**	**7,111**
Depreciation									
At 1 January 2014	658	102	134	157	92	101	21	235	1,499
Charge for the year									
- on cost	227	29	34	43	41	17	7	34	433
- on revaluation	32	-	-	-	-	-	-	-	32
Disposals/write off	-	-	-	(2)	-	-	-	-	(2)
At 31 December 2014	**916**	**131**	**168**	**198**	**133**	**118**	**28**	**269**	**1,962**
At 1 January 2015	916	131	168	198	133	118	28	269	1,962
Charge for the year									
- on cost	227	5	-	64	59	15	7	39	416
- on revaluation	54	-	-	-	-	-	-	-	54
Disposals/write off	-	-	-	(83)	-	-	-	-	(83)
At 31 December 2015	**1,197**	**136**	**168**	**179**	**192**	**133**	**35**	**308**	**2,349**
Net book value									
At 31 December 2014	**4,427**	**8**	**-**	**148**	**258**	**23**	**29**	**67**	**4,961**
At 31 December 2015	**4,146**	**3**	**0**	**209**	**276**	**33**	**22**	**73**	**4,762**

All the additions made during the year were made through cash payments.

In the opinion of the directors there is no impairment in the value of plant and equipment.

The building was professionally valued in October 2014 by Property Consultancy and Services Limited on the basis of market value for buildings. The book value of building was adjusted to the revaluation and the surplus net of deferred tax was credited to the revaluation reserve in shareholders' equity.

(All amounts in Tzs. 'millions' unless otherwise stated)

18. Property and equipment (continued)

	Company						
	Buildings	Exim Tower Expenses	Motor Vehicles	Furniture and Fittings	Office Equipment	Computer Equipment	Total
Cost							
At 1 January 2014	2,150	168	171	179	91	178	2,935
Revaluation	328	-	-	-	-	-	328
Additions	-	-	32	34	13	71	150
Disposals/write off	-	-	(4)	-	-	-	(4)
At 31 December 2014	**2,477**	**168**	**199**	**213**	**103**	**249**	**3,409**
At 1 January 2015	2,477	168	199	213	103	249	3,409
Additions	-	-	106	10	22	32	170
Disposals/write off	-	-	(68)	-	-	-	(68)
At 31 December 2015	**2,477**	**168**	**237**	**223**	**125**	**281**	**3,511**
Depreciation							
At 1 January 2014	312	134	131	65	69	164	877
Charge for the year	115	34	19	21	12	31	232
Disposals/write off	-	-	(2)	-	-	-	(2)
At 31 December 2014	**427**	**168**	**149**	**86**	**81**	**195**	**1,107**
At 1 January 2015	427	168	149	86	81	195	1,107
Charge for the year							
- on cost	115	-	36	22	14	34	221
- on revaluation	22	-	-	-	-	-	22
Disposals/write off	-	-	(66)	-	-	-	(66)
At 31 December 2015	**564**	**168**	**119**	**108**	**95**	**229**	**1,284**
Net book value							
At 31 December 2014	**2,050**	**-**	**49**	**127**	**22**	**54**	**2,301**
At 31 December 2015	**1,913**	**-**	**118**	**115**	**30**	**52**	**2,227**

All the additions made during the year were made through cash payments.

In the opinion of the directors there is no impairment in the value of plant and equipment.

The building was professionally valued in October 2014 by Property Consultancy and Services Limited on the basis of market value for buildings. The book value of building was adjusted to the revaluation and the surplus net of deferred tax was credited to the revaluation reserve in shareholders' equity.

(All amounts in Tzs. 'millions' unless otherwise stated)

19. Intangible assets

	2015 Group	2014 Group	2015 Company	2014 Company
Softwares				
Cost				
At start of year	184	184	177	177
Additions	38	-	37	-
At the end of year	222	184	214	177
Depreciation				
At start of year	183	182	176	175
Charge for the year	8	1	8	1
At end of year	**191**	**183**	**184**	**176**
Net book value	31	1	30	1

20. Deferred tax

Deferred tax is calculated, in full, on all temporary timing differences under the liability method using a principal tax rate of 30% (2014: 30%). The movement on the deferred tax account is as follows:

	2015 Group	2014 Group	2015 Company	2014 Company
At start of year	563	30	373	26
Income Statement (credit)/charge	298	271	309	249
Charge to equity (Revaluation Reserve)	(46)	262	(7)	98
At end of year	**816**	**563**	**675**	**373**

Deferred tax (assets) and liabilities, deferred tax charge/(credit) in the statement of profit or loss and other comprehensive income are attributable to the following items:

Year ended 31 December 2015	At start of year	Group Charge/ (Credit) to PLOCI	At end of year
Deferred tax liabilities			
Excess capital allowances	458	(72)	386
Deferred acquisition	305	128	433
Unrealised exchange differences	83	696	779
	846	**752**	**1,598**
Deferred tax assets			
Provision for staff leave	(13)	-	(13)
Provisions for bad debts	(116)	107	(9)
Unrealised exchange differences	(51)	19	(32)
Tax losses carried forward	(9)	(164)	(173)
Other temporary difference	(93)	(462)	(555)
	(282)	**(500)**	**(782)**
Deferred tax liability/(asset)	**563**	**252**	**816**

(All amounts in Tzs. 'millions' unless otherwise stated)

Deferred tax (as presented in Consolidated Statement of Financial Position)

	2015 Group	2014 Group
Deferred tax asset	-	-
Deferred tax liability	816	563
Net deferred tax liability/(asset)	**816**	**563**

Year ended 31 December 2015	**At start of year**	**Company Charge/ (Credit) to PLOCI**	**At end of year**
Deferred tax liabilities			
Excess capital allowances	270	(5)	265
Deferred acquisition	305	128	433
Unrealised exchange differences	83	498	581
	658	**621**	**1,279**
Deferred tax assets			
Provision for staff leave	(13)	-	(13)
Provision for bad debts	(116)	116	-
Other temporary differences	(156)	(435)	(591)
	(285)	(319)	(604)
Net deferred tax liability/(asset)	**373**	**302**	**675**

21. Financial assets

(i) Government securities – Held-to-maturity	**2015 Group**	**2014 Group**	**2015 Company**	**2014 Company**
At start of year	7,098	7,197	5,887	6,310
Additions	4,695	2,181	3,897	1,903
Redemptions/Transfer	(2,065)	(2,516)	(1,380)	(2,516)
Accrued interest	328	237	292	191
At end of year	**10,056**	**7,098**	**8,696**	**5,887**
The maturity analysis of government securities is as follows:				
Treasury bills and bonds maturing:				
Maturing before 1 year	5,235	2,066	3,875	1,382
Maturing after 1 year but before 5 years	4,149	3,835	4,149	3,308
Maturing after 5 years	672	1,197	672	1,197
	10,056	**7,098**	**8,696**	**5,887**
(ii) Unquoted shares – Available-for-sale				
At start of year	888	984	888	984
Additions	-	-	-	-
Fair value gain/(loss) credited/(charged) to PLOCI	723	(96)	723	(96)
At end of year	**1,611**	**888**	**1,611**	**888**
(iii) Quoted share –Available-for-sale				
At start of year	13,200	9,311	12,489	8,862
Additions	328	100	306	-
Disposal	(225)	(1,165)	(225)	(1,165)
Fair value gain credited to PLOCI	(1,452)	4,954	(1,352)	4,793
At end of year	**11,851**	**13,200**	**11,218**	**12,489**

(All amounts in Tzs. 'millions' unless otherwise stated)

(iv) Fixed deposits – Held-to-maturity	2015 Group	2014 Group	2015 Company	2014 Company
At start of year	16,277	12,070	10,309	8,506
Additions	16,570	15,554	10,682	9,928
Redemptions	(14,372)	(11,904)	(10,309)	(8,406)
Accrued interest	586	556	215	281
At end of year	**19,061**	**16,277**	**10,897**	**10,309**
Total financial assets	**42,579**	**37,463**	**32,422**	**29,574**

The carrying amounts of the financial assets are denominated in the following currencies:

	2015 Group	2014 Group	2015 Company	2014 Company
Tanzania Shillings	32,406	28,669	24,220	22,806
US Dollars	10,173	8,794	8,202	6,768
	42,579	**37,463**	**32,422**	**29,574**

22. Receivables arising out of direct insurance arrangements

	2015 Group	2014 Group	2015 Company	2014 Company
Gross receivables arising out of direct insurance arrangements	19,542	12,338	13,049	7,312
Less: provision for impairment	(574)	(387)	(546)	(387)
Net receivables arising out of direct insurance	18,968	11,951	12,503	6,925
Movement in provision for impairment				
At start of year	387	387	387	387
Additions	219	-	191	-
Written off	(32)	-	(32)	-
	574	**387**	**546**	**387**

The Group's credit risk arises primarily from receivables arising out of direct insurance arrangements. The directors are of the opinion that the company's exposure is limited because the debt is widely held.

23. Reinsurers' share of insurance contract liabilities

Reinsurers' share of:	2015 Group	2014 Group	2015 Company	2014 Company
- unearned premium	11,131	9,838	10,799	9,833
- reinsurance share of IBNR	2,251	1,524	2,247	1,524
- notified claims outstanding	13,377	8,898	11,534	7,920
	26,759	**20,260**	**24,580**	**19,278**

Amounts due from reinsurers in respect of claims already paid by the Group on contracts that are reinsured are included in receivables arising out of reinsurance arrangements on the statement of financial position.

(All amounts in Tzs. 'millions' unless otherwise stated)

		2015 Group	2014 Group	2015 Company	2014 Company
24.	**Deferred acquisition costs**				
	At start of year	1,016	438	1,016	438
	Net increase/(decrease)	542	579	425	579
	At end of year	**1,558**	**1,016**	**1,441**	**1,016**
25.	**Other receivables**				
	Prepayments	537	406	439	174
	Other advances	782	342	728	238
	Vat recoverable	240	333	-	-
		1,559	**1,081**	**1,167**	**413**
26 (a).	**Cash and cash equivalents**				
	Cash and bank balances	1,049	(334)	708	1,020

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

	2015 Group	2014 Group	2015 Company	2014 Company
Cash and bank balances	2,181	1,226	1,294	1,032
Bank overdraft (Note 26(b))	(1,132)	(1,531)	(586)	-
Bank overdrawn (Note 26(b))	-	(28)	-	(12)
	1,049	**(334)**	**708**	**1,020**

The company's cash and bank balances are held with a major Tanzanian financial institution and, in so far as the directors are able to measure any credit risk to these assets, it is deemed to be limited.

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	2015 Group	2014 Group	2015 Company	2014 Company
Tanzania Shillings	642	622	346	567
US Dollar	1,253	444	766	308
Comoros Francs	182	157	182	157
Uganda Shillings	104	3	-	-
	2,181	**1,226**	**1,294**	**1,032**

26(b). Borrowings

The borrowings is made up as follows:

Current				
Bank overdraft	(1,132)	(1,531)	(586)	-
	(1,132)	(1,531)	(586)	-

Overdrawn facilities as at the reporting date were as follows:

	2015 Group	2014 Group	2015 Company	2014 Company
Bank overdrawn	-	(28)	-	(12)

(All amounts in Tzs. 'millions' unless otherwise stated)

27. Provisions for unearned premium and unexpired risks

These provisions represent the liability for short term business contracts where the company's obligations are not expired at the year end. Movements in the reserve is shown below:

	Group					
			2015			2014
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At start of year	18,674	(9,838)	8,836	14,265	(7,951)	6,313
Increase during the year (net)	5,281	(1,293)	3,988	4,409	(1,886)	2,523
At end of year	**23,955**	**(11,131)**	**12,824**	**18,674**	**(9,838)**	**8,836**

	Company					
			2015			2014
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At start of year	18,664	(9,833)	8,831	14,265	(7,951)	6,313
Increase during the year (net)	4,377	(965)	3,412	4,399	(1,882)	2,517
At end of year	**23,041**	**(10,798)**	**12,243**	**18,664**	**(9,833)**	**8,831**

28. Other payables

	2015 Group	2014 Group	2015 Company	2014 Company
Accrued expenses	1,405	668	1,231	424
Stale and cancelled cheques	190	152	190	152
Withholding tax	156	206	80	204
Payables to related party (Note 32(b))	-	-	7	59
Other payables	2,233	1,444	90	92
	3,984	**2,471**	**1,598**	**931**

In the opinion of the directors, the carrying amounts of other payables approximate to their fair value.

29. Investment in subsidiaries

	Country of Incorporation	Holdings	Company 2015	Company 2014
Shares at fair value				
Alliance Life Assurance Limited	Tanzania	70%	3,690	1,330
Dar es Salaam Properties Limited	Tanzania	99%	82	71
Alliance Africa General Insurance Limited	Uganda	99%	2,689	2,608
			6,461	**4,009**

Alliance Life Assurance Limited (Subsidiary)

On 8th February 2013, the issued and paid up capital was increased from Tzs. 1,500,000,000 to 1,900,000,000 by an issue for cash of 4,000 ordinary shares at a price of Tzs. 100,000 per share.

Alliance insurance corporation limited paid 70% for its share by cash amounting to Tzs. 280,000,000 for 2,800 ordinary shares at a price of Tzs. 100,000 per share.

On 12th May 2014, the issued and paid up capital was increased from Tzs. 1,900,000,000 to 3,000,000,000 by a dividend issue of 11,000 ordinary shares at a price of Tzs. 100,000 each.

Alliance Africa General Insurance Limited (Foreign subsidiary)

In year 2013, the company promoted and incorporated a new company, Union Insurance Limited in Uganda which was renamed as Alliance Africa General Insurance Limited on 7th November 2014. The authorised and paid up share capital of the subsidiary is USh 4 billion divided into 4,000 ordinary shares of USh 1,000,000 each. The company paid for 99% of its share by cash amounting to Tzs. 2,608 million for 3,998 ordinary shares at a price of Tzs. 652,000 (equivalent to USh 1,000,000) per share.

On 13th September 2015, the authorised, issued and paid up capital was increased from USh 4,000,000,000 to Ush 4,130,000,000 by an issue for cash of 130 ordinary shares at a price of USh 1,000,000 per share.

(All amounts in Tzs. 'millions' unless otherwise stated)

30. Contingent liabilities

In common with the insurance industry in general, the company is subject to litigation arising in the normal course of insurance business. The directors are of the opinion that this litigation will not have a material effect on the financial position or profits of the company.

The company is subject to solvency regulations in respect of its insurance and investment contracts, and had complied with those regulations as at 31 December 2015.

31. Reconciliation of profit before tax to cash generated from operations:

	2015 Group	2014 Group	2015 Company	2014 Company
Profit before tax	8,721	8,221	7,618	6,407
Adjustments for:				
Profit on sale of fixed assets (Note 5)	(7)	(1)	(7)	(1)
Gain on sale of quoted shares (Note 3)	(427)	(1,938)	(427)	(1,938)
Net foreign exchange gains/(losses) (Note 7)	(3,012)	(592)	(2,818)	(442)
Interest income (Note 3)	(2,777)	(2,105)	(1,801)	(1,458)
Release of life fund (Note 5)	(11)	(183)	(11)	(183)
Depreciation and amortization (Note 18)	424	434	229	233
Dividend income (Note 3)	(515)	(540)	(515)	(540)
Changes in working capital:				
- Insurance contract and other payables	15,983	10,859	11,956	9,267
- Reinsurance arrangement creditors	660	(968)	(195)	(611)
- Insurance contracts and other receivables	(8,036)	(5,282)	(6,757)	(2,635)
- Reinsurance arrangement debtors	(585)	(611)	(307)	(602)
- Reinsurance share of insurance contract liabilities	(6,499)	(4,856)	(5,302)	(4,319)
Cash generated from/(used in) operations	**3,919**	**2,438**	**1,663**	**3,181**

32. Related party transactions and balances

The company Alliance Insurance Corporation Limited is controlled by Union Trust Investment Limited incorporated in Tanzania, which owns 65% and the balance 35% is held by MAC Group. The company has 70% investment in Alliance Life Assurance Limited, 99% in Dar-es-Salaam Properties Limited and 99% in Alliance Africa General Insurance Limited.

In the normal course of business, insurance policies are sold to related parties at terms and conditions similar to those offered to major clients.

(a) Transactions with related parties	2015 Group	2014 Group	2015 Company	2014 Company
Gross earned premium:				
Union Trust Investment Limited	8	8	8	8
MAC-UTI Properties Limited	28	38	28	38
The Heritage Insurance Company Tanzania Limited	438	377	438	377
Dar es Salaam Properties Limited	9	4	9	4
Alliance Life Assurance Limited	6	5	6	5
Net claims incurred				
Union Trust Investment Limited	-	4	-	4
MAC-UTI Properties Limited	-	1	-	1
The Heritage Insurance Company Tanzania Limited	50	-	50	-
Dar es Salaam Properties Limited	-	5	-	5
Service from related party				
MAC-UTI Properties Limited	370	277	57	30
Strategis Insurance (Tanzania) Limited	90	76	90	76
Dar es Salaam Properties Limited	236	215	236	215

(All amounts in Tzs. 'millions' unless otherwise stated)

(b) Outstanding balances with related parties	2015 Group	2014 Group	2015 Company	2014 Company
Receivables from related parties:				
Premiums receivable from related parties	31	29	31	29
Loss reserves in respect of other related parties	-	-	-	-
	31	**29**	**31**	**29**
Payables to related parties:				
Alliance Life Assurance Limited	-	-	7	59
	-	**-**	**7**	**59**

(c) Loan to subsidiary

	2015 Group	2014 Group	2015 Company	2014 Company
Dar es Salaam Properties Limited	-	-	3,203	2,216

The loan to Dar es Salaam Properties Limited is unsecured and interest bearing, and have no specific dates for repayments.

(d) Investment in equity

	2015 Group	2014 Group	2015 Company	2014 Company
Alliance Life Assurance Limited	-	-	3,690	1,330
Dar es Salaam Properties Limited	-	-	82	71
Alliance Africa General Insurance Limited	-	-	2,689	2,608
	-	**-**	**6,461**	**4,009**

(e) Directors' remuneration

	2015 Group	2014 Group	2015 Company	2014 Company
- Directors' fees	178	85	83	59

(f) Key management compensation

	2015 Group	2014 Group	2015 Company	2014 Company
Salaries	2,593	1,909	1,719	1,059
Social security benefit cost	210	113	172	78
	2,803	**2,022**	**1,891**	**1,137**

33. Disclosure of fair value of financial assets

(a) Fair values of financial assets

	Group			
	Level 1	Level 2	Level 3	2015 Total
Available for sale financial assets				
A. Quoted investments	11,851	-	-	11,851
B. Unquoted investments	-	-	1,611	1,611
	11,851	**-**	**1,611**	**13,462**
	Company			
Available for sale financial assets				
A. Quoted investments	11,218	-	-	11,218
B. Unquoted investments	-	-	1,611	1,611
	11,218	**-**	**1,611**	**12,829**

(b) Reconciliation of LEVEL 3 fair values - AFS	2015 Group	2014 Group	2015 Company	2014 Company
At start of year	888	984	888	984
Additions	-	-	-	-
Total gains/losses in:				
- other comprehensive income	723	(96)	723	(96)
At end of year	**1,611**	**888**	**1,611**	**888**

34. Risk management objectives and policies

(a) Insurance risk management

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.

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 by a change in any subset of the portfolio. The company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

The underwriting department 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 certain 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 for some or all costs.

Since the insurance industry could result in unpredictable events resulting in huge claims, the company enters into reinsurance arrangements. The company's reinsurance arrangements include treaty reinsurance which covers excess of loss, catastrophe coverage and surplus treaties. Facultative reinsurance locally is undertaken with other insurance companies when treaty limits are exhausted. The effect of such reinsurance arrangements is that the company is able to spread its risks and hence not suffer the entire loss in case of claims.
Claims on insurance contracts are payable on an occurrence basis. The company is liable for all insured events that occurred during the term of the contract, even if the loss is reported after the end of the contract term. As a result, liability claims are settled over a long period of time and a larger element of the claims provision relates to incurred but not reported claims (IBNR). The management ensures that adequate provisions are made in the financial statements for these amounts.

Sensitivity to Insurance risk
Change in assumptions and sensitivity analysis
General insurance

The risks associated with General insurance contracts are complex and subject to a number of variables which complicate quantitative analysis. The company uses several statistical and actuarial techniques based on claims experience. This includes indications such as average claims costs, ultimate claims numbers, and expected loss ratios. The key methods used by the company in estimating liabilities are;

- Chain ladder
- Bench marking and
- Expected loss ratio

The company considers that the liability for general insurance claims shown on the statement of financial position is adequate. However actual experience will differ from the expected income.

Some results of sensitivity testing are set out below showing the impact on profit before tax and shareholders' equity gross and net of reinsurance. For each sensitivity the impact of a change in a single factor is shown with other assumptions unchanged.

(All amounts in Tzs. 'millions' unless otherwise stated)

34. Risk management objectives and policies (continued)

General insurance (continued)

Impact on pre-tax profit	**2015 Group**	**2014 Group**	**2015 Company**	**2014 Company**
5 % increase in loss ratios				
Gross	(2,889)	(2,398)	(2,820)	(2,398)
Net	(1,325)	(1,018)	(1,281)	(1,018)
5% decrease in loss ratios				
Gross	2,889	2,398	2,820	2,398
Net	1,325	1,018	1,281	1,018
10% increase in expenses				
Gross	(1,145)	(563)	(796)	(563)
Net	(1,145)	(563)	(796)	(563)
Impact on equity				
5 % increase in loss ratios				
Gross	(2,022)	(1,678)	(1,974)	(1,678)
Net	(927)	(713)	(897)	(713)
5% decrease in loss ratios				
Gross	2,022	1,678	1,974	1,678
Net	927	713	897	713
10% increase in expenses				
Gross	(802)	(394)	(557)	(394)
Net	(802)	(394)	(557)	(394)

Life insurance

The risks associated with life insurance contracts are complex and subject to a number of variables which complicate quantitative analysis. The company uses several statistical and actuarial techniques based on claims experience. The key assumptions in quantifying these liabilities include mortality, persistency, longevity, morbidity and expense variations.

Impact on pre-tax profit	**2015 Group**	**2014 Group**	**2015 Company**	**2014 Company**
5% increase in mortality/morbidity				
Gross	(508)	(486)	-	-
Net	(317)	(309)	-	-
5% increase in longevity				
Gross	508	486	-	-
Net	317	309	-	-
10% increase in expenses				
Gross	(1,145)	(801)	-	-
Net	(1,145)	(801)	-	-

(All amounts in Tzs. 'millions' unless otherwise stated)

34. Risk management objectives and policies (continued)

Life insurance (continued)

Impact on equity	2015 Group	2014 Group	2015 Company	2014 Company
5% increase in mortality/morbidity				
Gross	(356)	(340)	-	-
Net	(222)	(216)	-	-
5% increase in longevity				
Gross	356	340	-	-
Net	222	216	-	-
10% increase in expenses				
Gross	(802)	(561)	-	-
Net	(802)	(561)	-	-

Concentration of insurance risk

Concentration of insurance based on claims incurred by class of business before and after reinsurance are shown on Note 6.

General Insurance

The concentration of insurance risk before and after reinsurance in relation to the type of general insurance risk accepted is summarised below, with reference to the carrying amount of the insurance liabilities (gross and net of reinsurance) arising from casualty insurance contracts.

			Group		
			2015		2014
Short term Business	Before Reinsurance Claims	Reinsurance Recoveries	Net Outstanding Claims	% percentage	Net Outstanding Claims
Fire	8,987	7,537	1,450	12.1%	792
Motor	8,242	420	7,822	65.2%	6,009
Marine	3,497	2,019	1,478	12.3%	1,108
Engineering	390	254	136	1.1%	145
Miscellaneous	4,383	3,286	1,097	9.2%	1,170
Comoros operations	5	-	5	0.0%	17
	25,504	**13,516**	**11,988**	**100%**	**9,241**

			Company		
			2015		2014
Short term Business	Before Reinsurance Claims	Reinsurance Recoveries	Net Outstanding Claims	% percentage	Net Outstanding Claims
Fire	8,787	7,505	1,282	10.8%	792
Motor	8,242	420	7,822	66.2%	6,009
Marine	3,497	2,019	1,478	12.5%	1,108
Engineering	390	254	136	1.2%	145
Miscellaneous	4,383	3,286	1,097	9.3%	1,170
Comoros operations	5	-	5	0.0%	17
	25,304	**13,484**	**11,820**	**100%**	**9,241**

(All amounts in Tzs. 'millions' unless otherwise stated)

34. Risk management objectives and policies (continued)

Concentration of insurance risk (continued)

Life insurance

The table below presents the concentration of insured benefits across two bands of insured benefits per individual life assured. The benefit insured figures are shown gross and net of the reinsurance contracts described above. At year-end, none of these insurance contracts had triggered a recovery under the reinsurance held by the Company.

	Group 2015				2014
	Before		Net		Net
Business	**Reinsurance Claims**	**Reinsurance Recoveries**	**Outstanding Claims**	**% percentage**	**Outstanding Claims**
Ordinary life	-	-	-	0	-
Group life	3,603	2,113	1,490	100%	877
	3,603	**2,113**	**1,490**	**100%**	**877**

	Company 2015				2014
	Before		Net		Net
Business	**Reinsurance Claims**	**Reinsurance Recoveries**	**Outstanding Claims**	**% percentage**	**Outstanding Claims**
Ordinary life	-	-	-	0	-
Group life	502	298	204	100%	205
	502	**298**	**204**	**100%**	**205**

(b) Financial risk management

The company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk) and credit risk and liquidity risk.

The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

Risk management is carried out by the management. Management identifies, evaluates and hedges financial risks in close co-operation with various departmental heads.

(i) Market Risk

- Foreign exchange risk

The company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar. The risk arises from future transactions, assets and liabilities in the statement of financial position.

At 31 December 2015, if the Tanzania Shilling had weakened by 10 per cent against the US dollar and Comores Franc with all other variables held constant, post-tax profit for the year would have been Tzs. 520 m (2014: Tzs. 81 m) higher. Conversely, if the Tanzania Shilling had strengthened 10 per cent against the US dollar and Comores Franc with all other variables held constant, post-tax profit would have been Tzs.520 m (2014: Tzs. 81 m) lower.

(All amounts in Tzs. 'millions' unless otherwise stated)

34. Risk management objectives and policies (continued)

(b) Financial risk management (continued)

(i) Market Risk (continued)

- Interest rate risk
The table below summarises the effect on post tax profit, had interest rates on investments and borrowings increased by 100 basis points.

Effect on post tax profit	2015 Group	2014 Group	2015 Company	2014 Company
Government securities increase	70	50	43	43
Deposits with banks increase	133	114	67	72
Net effect on post tax profit	204	164	110	115

Had the interest rates reduced by 100 basis points, then the effect would have been the opposite.

- Price risk
The company is exposed to equity securities price risk because of investments held by the company, classified on the statement of financial position as 'Available-for-sale'.

The company's investments in equity of other entities are publicly traded on the Dar es Salaam Stock Exchange (DSE).

The table below summarises the impact of increases of the DSE on the company's equity. The analysis is based on the assumption that the equity indexes had decreased by 5% with all other variables held constant and all the company's equity instruments moved according to the historical correlation with the index:

	2015 Group	2014 Group	2015 Company	2014 Company
Effect on the post tax profit				
- Decrease	(593)	(660)	(561)	(624)

(ii) Credit risk

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

- Government securities
- Receivables arising out of direct insurance arrangements
- Other receivables
- Receivables arising out of reinsurance arrangements
- Cash and bank balances and deposits with banks

The table below summarises key areas where there is a significant concentration of credit risk. The concentration arises as a result of outstanding balances being held by few counter parties.

	% held by a few counter parties			
Key area	**2015 Group**	**2014 Group**	**2015 Company**	**2014 Company**
- Government securities	100%	100%	100%	100%
- Receivables arising out of direct insurance arrangements	38%	32%	38%	32%
- Receivables arising out of reinsurance arrangements	30%	30%	30%	30%
- Cash and bank balances and deposits with banks	40%	62%	40%	62%

Although there is a high concentration of credit risk in government securities and cash and bank balances and deposits with banks, the credit risk is minimal as these are held with sound institutions.

(All amounts in Tzs. 'millions' unless otherwise stated)

34. Risk management objectives and policies (continued)

(b) Financial risk management (continued)

(ii) Credit Risk (continued)

The directors have made a provision for the portion of the receivable whose recovery is in doubt.

In the opinion of the directors, the carrying amounts of financial assets and liabilities approximate to the fair values.

None of the financial assets that are fully performing has been renegotiated in the last year.

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the company's management maintains flexibility in funding by maintaining availability under committed credit lines.

The table below summarises the maturity analysis of financial liabilities

	Group			
Year ended 31 December 2015	**0 to 1 month**	**1 to 3 months**	**3 to 12 months**	**Total**
Payables arising from reinsurance arrangements	2,966	582	789	4,337
Other payables	3,984	-	-	3,984
	6,950	**582**	**789**	**8,321**
Year ended 31 December 2014				
Payables arising from reinsurance arrangements	1,572	2,311	738	4,622
Other payables	2,524	-	-	2,524
	4,097	**2,311**	**738**	**7,146**
Year ended 31 December 2015		**Company**		
Payables arising from reinsurance arrangements	1,142	582	789	2,513
Other payables	1,598	-	-	1,598
	2,740	**582**	**789**	**4,111**
Year ended 31 December 2014				
Payables arising from reinsurance arrangements	1,565	1,349	738	3,652
Other payables	964	-	-	964
	2,529	**1,349**	**738**	**4,616**

Due to the dynamic nature of claims, it is impracticable to assign a maturity analysis and determine when exactly they shall be paid.

Unearned premiums are transferred on a monthly basis to the income statement based on the company policy as disclosed in accounting policy (e (ii)) of the financial statements.

(All amounts in Tzs. 'millions' unless otherwise stated)

35. Capital management

The company's objectives when managing capital are:

Externally imposed capital requirements

- to comply with the insurance capital requirements required by the Insurance Act, 2009;
- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for share-holders and benefits for other stakeholders, and

The Insurance Act,2009 requires the following:

- issued and fully paid up share capital must be Tzs 1,820,232,000 and
- a solvency margin (admitted assets less admitted liabilities) of 20% of Net Premium or Nine Hundred and Fifty Five Million and Sixty Thousand Shillings, whichever is higher.

The company's share capital and solvency margins are above the minimum limits prescribed in the Insurance Act, 2009.

36. Movement in revaluation reserve

	2015 Group	2014 Group	2015 Company	2014 Company
Property and equipment - Buildings	601	639	214	229
Available-for-sale financial assets	10,184	10,883	12,473	10,732
Total revaluation reserve	**10,785**	**11,523**	**12,687**	**10,961**
Property and equipment- Buildings				
At start of year	639	180	229	-
Revaluation surplus/(charge) (net)	(54)	656	(22)	328
Deferred tax on (gain)/charge (net)	16	(197)	7	(98)
Utilised for issue of Bonus shares	-	-	-	-
At end of year	**601**	**639**	**214**	**229**
Available for sale financial assets				
At start of year	10,883	7098	10,732	7043
Fair value gain/(charge)	(729)	3850	1,741	3689
Deferred tax on (gain)/charge	30	(65)	-	-
At end of year	**10,184**	**10,883**	**12,473**	**10,732**

The revaluation reserve arose upon the revaluation of property and financial assets carried at fair value. The reserve is not distributable.

37. Country of incorporation

The company is incorporated in Tanzania under the Companies Act 2002 as a private limited liability company and is domiciled in Tanzania.

38. Events after the balance sheet date

There are no material events after the balance sheet date which require to be disclosed.

39. Group Companies

The financial statements for the following group companies are included in consolidated financial statements:
- Alliance Life Assurance Limited
- Dar es Salaam Properties Limited
- Alliance Africa General Insurance Limited

40. Presentation Currency

The financial statements are presented in Millions of Tanzania Shillings (Tzs) unless otherwise stated.

Consolidated General insurance business revenue account

(All amounts in Tzs. 'millions' unless otherwise stated)

41. Consolidated General insurance business revenue account 2015

	Fire	Motor	Marine	Misc.	Engineering	Comoros	Total 2015	Total 2014
	Tzs.' Millions	Tzs.' Millions	Tzs.' Millions	Tzs.' Millions	Tzs.' Millions	Tzs.' Millions	Tzs.' Millions	Tzs.' Millions
Gross written Premium	15,465	25,683	4,780	14,670	1,484	980	63,062	52,381
Reinsurance premium ceded	(12,688)	(3,774)	(2,845)	(12,354)	(707)	(209)	(32,577)	(29,486)
Net written premium	**2,777**	**21,909**	**1,935**	**2,316**	**777**	**771**	**30,485**	**22,895**
Change in UPR	(448)	(2,955)	(207)	(137)	(135)	(106)	(3,988)	(2,523)
Net Earned Premium	**2,329**	**18,954**	**1,728**	**2,179**	**642**	**665**	**26,497**	**20,372**
Gross Claims paid	(3,870)	(9,198)	(1,883)	(1,671)	(379)	(103)	(17,104)	(15,600)
Change in gross claim	(4,863)	(1,295)	309	(1,255)	(25)	12	(7,117)	(4,797)
Less: Reinsurance recoverable	7,239	511	358	2,580	280	-	10,968	7,972
Incurred Claims	**(1,494)**	**(9,982)**	**(1,216)**	**(346)**	**(124)**	**(91)**	**(13,253)**	**(12,425)**
Commission income	2,225	552	607	1,371	174	49	4,978	4,554
Commission expense	(2,143)	(3,329)	(625)	(1,357)	(179)	(19)	(7,652)	(5,018)
Expenses of Management	(449)	(4,987)	(441)	(1,829)	(344)	(409)	(8,459)	(5,223)
Total Expenses	**(1,861)**	**(17,746)**	**(1,675)**	**(2,161)**	**(473)**	**(470)**	**(24,386)**	**(18,110)**
Underwriting (loss)/profit 2015	**468**	**1,208**	**53**	**18**	**169**	**195**	**2,111**	**2,262**
Underwriting (loss)/profit 2014	**915**	**946**	**67**	**78**	**61**	**195**	**2,262**	**1,598**
Loss ratio(net claims incurred/ net earned premium)	64%	53%	70%	16%	19%	14%	50%	61%
Commission ratio(commission payable/ gross premium written)	14%	13%	13%	9%	12%	2%	12%	10%
Expense ratio(management expenses/gross written premium)	3%	19%	9%	12%	23%	42%	13%	10%

(All amounts in Tzs. 'millions' unless otherwise stated)

42 **Consolidated life assurance business revenue account 2015**

	Ordinary Life Business	Group Life Business	Total 2015	Total 2014
Gross earned premium	276	9,893	10,169	9,721
Reinsurance premium ceded	(39)	(3,799)	(3,838)	(3,543)
Net earned premium	**237**	**6,094**	**6,331**	**6,178**
Investment income	24	856	880	638
Other Income	17	628	645	680
Total Income	**278**	**7,578**	**7,856**	**7,496**
Policy holders' benefit:				
Life and health claims	91	3,276	3,367	2,828
Change in actuarial value of policyholder benefits	57	2,033	2,090	1,275
Less: amounts recoverable from reinsurers	(28)	(2,699)	(2,727)	(2,227)
Net claims and policyholder benefits payable	120	2,610	2,730	1,877
Operating and other expenses	60	2,148	2,208	2,016
Commissions expense	18	1,740	1,758	1,688
Total expenses	**198**	**6,498**	**6,696**	**5,580**
Net profit before tax – life business	80	1,080	1,160	1,916
Tax charge	(16)	(219)	(235)	(165)
Life business profit after tax	64	861	925	1,751
Policyholders				
- actuarial liabilities	121	3,212	3,333	2,723

Company General insurance business revenue account

(All amounts in Tzs. 'millions' unless otherwise stated)

43. Company General insurance business revenue account 2015

	Fire Tzs.' Millions	Motor Tzs.' Millions	Marine Tzs.' Millions	Misc. Tzs.' Millions	Engineering Tzs.' Millions	Comoros Tzs.' Millions	Total 2015 Tzs.' Millions	Total 2014 Tzs.' Millions
Gross written Premium	15,038	25,099	4,552	14,062	1,046	980	60,777	52,356
Reinsurance premium ceded	(12,427)	(3,738)	(2,783)	(12,098)	(492)	(209)	(31,747)	(29,475)
Net written premium	**2,611**	**21,361**	**1,769**	**1,964**	**554**	**771**	**29,030**	**22,881**
Change in UPR	(340)	(2,808)	(149)	16	(25)	(106)	(3,412)	(2,517)
Net Earned Premium	**2,271**	**18,553**	**1,620**	**1,980**	**529**	**665**	**25,618**	**20,364**
Gross Claims paid	(3,870)	(9,124)	(1,872)	(1,667)	(379)	(103)	(17,015)	(15,600)
Change in gross claim	(4,863)	(1,129)	334	(1,246)	(25)	12	(6,917)	(4,797)
Less: Reinsurance recoverable	7,239	484	354	2,579	280	-	10,936	7,972
Incurred Claims	**(1,494)**	**(9,769)**	**(1,184)**	**(334)**	**(124)**	**(91)**	**(12,996)**	**(12,425)**
Commission income	2,154	552	592	1,312	122	49	4,781	4,550
Commission expense	(2,110)	(3,294)	(605)	(1,296)	(125)	(19)	(7,449)	(5,014)
Expenses of Management	(230)	(4,688)	(324)	(1,518)	(120)	(409)	(7,289)	(5,039)
Total Expenses	**(1,680)**	**(17,199)**	**(1,521)**	**(1,836)**	**(247)**	**(470)**	**(22,953)**	**(17,926)**
Underwriting (loss)/profit 2015	**591**	**1,354**	**99**	**144**	**282**	**195**	**2,665**	**2,438**
Underwriting (loss)/profit 2014	**914**	**1,038**	**69**	**79**	**143**	**195**	**2,438**	**1,598**
Loss ratio(net claims incurred/net earned premium)	66%	53%	73%	17%	23%	14%	51%	61%
Commission ratio(commission payable/ gross premium written)	14%	13%	13%	9%	12%	2%	12%	10%
Expense ratio(management expenses/gross written premium)	2%	19%	7%	11%	11%	42%	12%	10%

Company life assurance business revenue account

For the year ended 31st December 2015 *(All amounts in Tzs. 'millions' unless otherwise stated)*

Company life assurance business revenue account 2015

	Ordinary Life Business	Group Life Business	Total 2015	Total 2014
Gross earned premium	-	-	-	-
Reinsurance premium ceded	-	-	-	-
Net earned premium	-	-	-	-
Investment income	-	-	-	-
Other Income	-	11	11	183
Total Income	-	11	11	183
Policy holders' benefit:				
Life and health claims	-	-	-	25
Change in actuarial value of policyholder benefits	-	-	-	-
Less: amounts recoverable from reinsurers	-	-	-	(15)
Net claims and policyholder benefits payable	-	-	-	10
Operating and other expenses	-	-	-	-
Commissions expense	-	-	-	-
Total expenses	-	-	-	10
Net profit before tax – life business	-	11	11	173
Tax charge	-	-	-	-
Life business profit after tax	-	11	11	173
Policyholders				
- actuarial liabilities	-	90	90	101

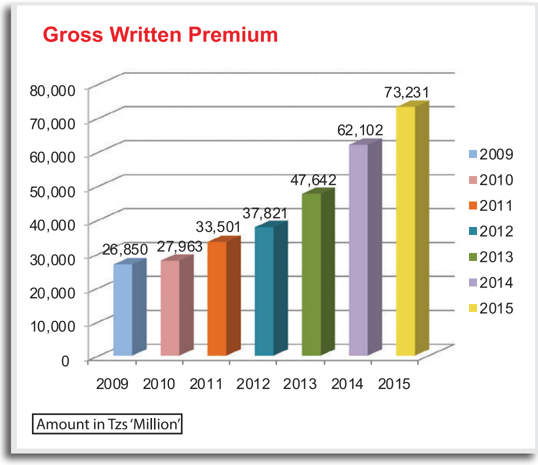
Group companies' statement of profit or loss and other comprehensive income

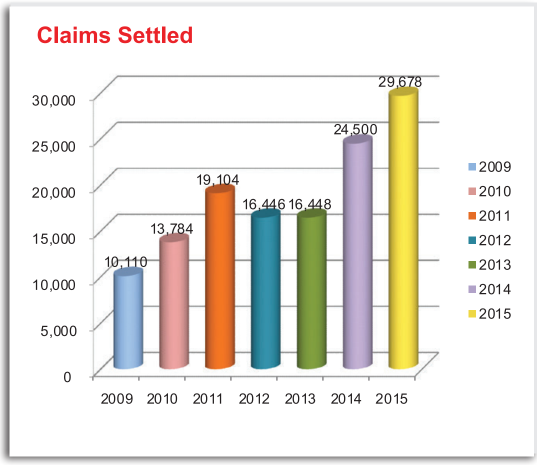
(All amounts in Tzs. 'millions' unless otherwise stated)

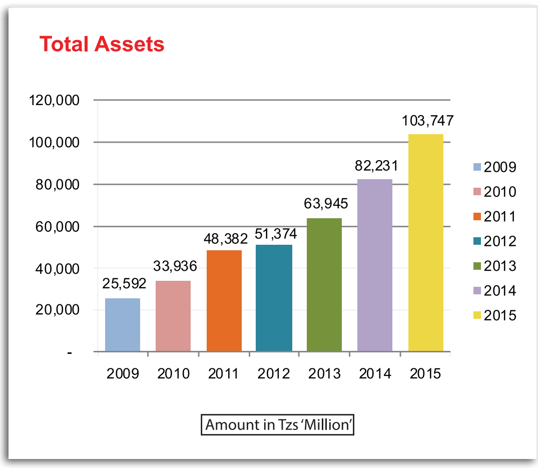
	Alliance Insurance Corporation Limited	Alliance Life Assurance Limited	Alliance Africa General Insurance Limited	Dar es Salaam Properties Limited	Inter company services	Total	Total
	2015 TZS.	**2015 TZS.**	**2015 TZS.**	**2015 TZS.**	**2015 TZS.**	**2015 TZS.**	**2014 TZS.**
	Millions	**Millions**	**Millions**	**Millions**	**Millions**	**Millions**	**Millions**
Gross earned premiums	56,400	10,169	1,381	-	-	67,950	57,693
Less: premiums ceded out to reinsurers	(30,782)	(3,838)	(502)	-	-	(35,122)	(31,143)
Net earned premiums	**25,618**	**6,331**	**879**	**-**	**-**	**32,828**	**26,550**
Rental income	-	-	-	565	(228)	337	263
Investment income	5,561	880	625	-	(335)	6,731	5,176
Commission earned	4,781	634	196	-	-	5,611	5,045
Other income	58	1	-	-	-	59	200
Net income	**36,018**	**7,846**	**1,700**	**565**	**(563)**	**45,566**	**37,234**
Claims and policy holders benefits payable	23,932	5,457	289	-	-	29,678	24,500
Less: amounts recoverable from reinsurers	(10,937)	(2,726)	(32)	-	-	(13,695)	(10,199)
Net claims payable	**12,995**	**2,731**	**257**	**-**	**-**	**15,983**	**14,302**
Operating and other expenses	7,956	2,210	1,232	617	(563)	11,452	8,005
Commission expenses	7,449	1,758	203	-	-	9,410	6,706
Total expenses	**28,400**	**6,699**	**1,692**	**617**	**(563)**	**36,845**	**29,013**
Profit before tax	**7,618**	**1,147**	**8**	**(52)**	**-**	**8,721**	**8,221**
Tax charge	(1,916)	(235)	(12)	16	-	(2,147)	(1,560)
Profit for the year	**5,702**	**912**	**(4)**	**(36)**	**-**	**6,574**	**6,661**
Other comprehensive Income							
Fair value gain/(loss) on							
- available-for-sale financial assets	1,741	(100)	-	-	(2,370)	(729)	3,850
- property	-	-	-	-	-	-	688
Deferred tax charge on fair value gain on							
- revaluation of property	-	-	-	-	-	-	(206)
- available-for-sale financial assets	-	30	-	-	-	30	(65)
Depreciation charge on							
- revaluation part of property	(22)	-	-	(32)	-	(54)	(32)
Reversal of deferred tax charge on						-	
- gain on revaluation of property	7	-	-	9	-	16	9
Total other comprehensive income	**1,726**	**(70)**	**-**	**(23)**	**(2,370)**	**(737)**	**4,245**
Total comprehensive income/ (loss)	**7,428**	**842**	**(4)**	**(59)**	**(2,370)**	**5,837**	**10,906**

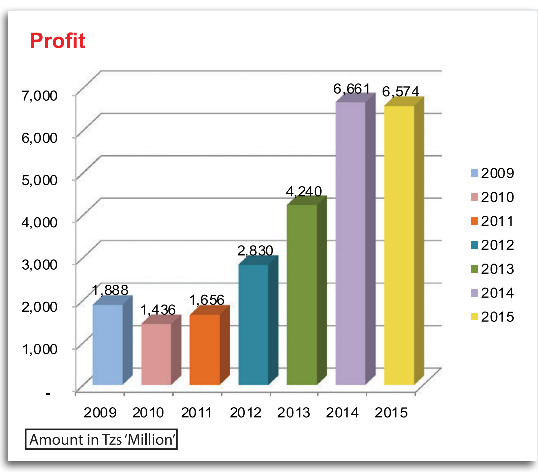
* Fair value gain recognised on investment in subsidiaries.

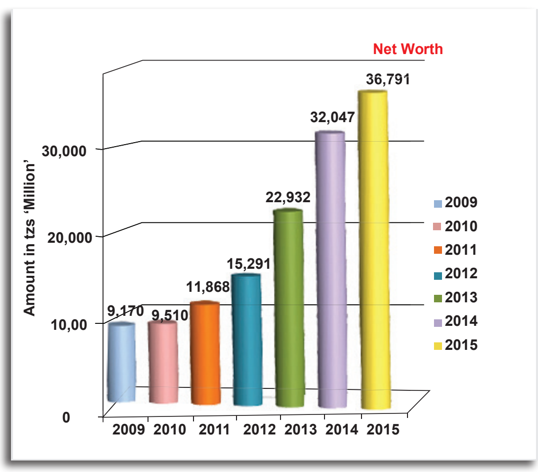
Financial Highlights











Alliance Insurance Corporation Ltd