Alliance
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ALLIANCE INSURANCE CORPORATION LIMITED

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2019

CONTENTS

BOARD OF DIRECTORS	Mr. Shaffin Jamal	Tanzanian
	Mr. Yogesh Manek	Tanzanian
	Mr. Narendra P Thaker	Kenyan
	Dr. Alex Nguluma	Tanzanian
	Mr. Kalpesh Mehta	British
CHIEF OFFICERS	Mr. K V A Krishnan	Group Managing Director
	Mr. Sunder B. Nayak	Chief Executive Officer
	Ms. Kanjari Ramji	Finance Controller/Company Secretary
	Mr. Aliasgher Somji	Assistant General Manager - Technical & Marketing
	Mr. Gustaph Dimoso	Senior Manager - Underwriting

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@alliance.co.tz
Website: www.alliance.co.tz

BRANCH NETWORK

MWANZA
Lwempisi Building
Nyerere Road, Mwanza
Telephone: +255 28 2500545
Fax: +255 28 2500759
Email: mwanza@alliance.co.tz

COMOROS
1st Floor, Matelec Building, Oasis
P.O. Box 03, Moroni- Union of Comores
Telephone/Fax: +269 773 9645/ Mob: 3440780
Email: murlykrishnan@alliance.co.tz
Website: www.alliance.co.tz

ARUSHA
2nd Floor, Sykes Building, Goliondoi Road
P.O. Box 793, Arusha
Telephone: +255 27 2545999/2545465
Fax: +255 27 2504085
Email: arusha@alliance.co.tz

MOSHI
Sigara Building, Mwanzi Road
P.O. Box 244, Moshi
Telephone: +255 27 2752537
Fax: +255 27 2752500
Email: moshi@alliance.co.tz

PRINCIPAL BANKER
Exim Bank (Tanzania) Limited
Exim Tower
1404/45 Ghana Avenue
P.O. Box 1431, Dar es Salaam
Telephone: + 255 22 2293000

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

Union Insurance Brokers Ltd
Century House, 4th Floor Nyarugenge
Kigali-Rwanda

Alliance Africa General Insurance Limited
P.O. Box 7308, 3rd Floor, Plot 9
Yusuf Lule Road, Kampala, Uganda

INDEPENDENT AUDITORS
Balakrishna Sreekumar & Co.
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

LEGAL ADVISORS
ENSafrica Attorneys
6th floor International House
Shaaban Robert Street / Garden Avenue
Dar es Salaam

Octavian Temu Advocates
2nd Floor, NIC Life House
P.O. Box 77353,
Dar es Salaam

CHAIRMAN'S STATEMENT

Dear Stakeholders,

I am delighted to present to you the Annual Report and Financial Statements for the year ended 31st December 2019. I am happy to report that we have once again performed well in Tanzania, achieving a GWP of TZS 86.7 bn., and a PBT of TZS 10 bn. We also grew at over 13% during the year 2019.

ECONOMIC OUTLOOK

According to African Development Bank, real GDP growth was estimated at 6.8% in 2019, down slightly from 7% in 2018. A markedly diversified economy, characterized by robust private consumption, substantial public spending, strong investment growth, and an upturn in exports underpinned the positive outlook. Tourism, mining, services, construction, agriculture, and manufacturing are notable sectors. Growth is projected to be broadly stable at 6.4% in 2020 and 6.6% in 2021, subject to favorable weather, prudent fiscal management, mitigation of financial sector vulnerabilities, and implementation of reforms to improve the business environment.

Inflation fell to an estimated 3.3% in 2019 from 3.6% in 2018 due to an improved food supply. The Tanzanian shilling was fairly stable in 2019, exchanging at an average of 2,290 to the dollar, compared with 2,263 in 2018. The fiscal deficit, financed mainly by concessional external debt, stood at 2.0% of GDP in 2019, up from 1.3% in 2018, and is projected to stabilize at 1.9% in 2020 and 2.2% in 2021. External public debt—63% of it concessional—constituted 70.4% of total public debt in 2019. The current account deficit slightly widened to 3.4% of GDP in 2019 from 3.3% in 2018.

However, it would be pertinent to mention here that the COVID 19 factor which is of recent origin has brought about an element of uncertainty & unpredictability and its fallout cannot be prophesied as of now.

The overall Insurance market grew at 21.1 % in 2019 with a GWP of TZS.838.2 bn. against TZS. 691.9 bn. in 2018 with the Life segment growing at 35 % and the non Life segment at 18.7%.

I would like to reiterate that we are committed to participating wholeheartedly in the economic development of Tanzania and the East African canvass as a whole.

BUSINESS OPERATIONS

Besides achieving a GWP of TZS 86.7 bn., we also had a robust investment income of TZS 6.8 bn . Life operations have shown a healthy growth rate this year as well, growing at 24% to reach a GWP of TZS 15.1 bn.

The Ugandan operations continue to be well on the growth trajectory, ending the year with a GWP of TZS 9.7 bn. at an excellent growth rate of 22% . I am also happy to inform you that Uganda has been profitable as well, with a PBT of TZS 276 m.

We are committed to play a larger role in East Africa , and look forward to having our presence in Kenya in 2020.

New initiatives

We are already in the process of upgrading our core software Premia 10 to the latest version viz. Premia 11, which would further enhance our ability to provide best in class service to our clientele , and generate reliable data for analysis and interpretation to take informed decisions. We continue the process of system integration with intermediaries to provide hassle free after sales service. We persist with our customer centric approach and continue to deliver as per customer expectations to ensure that the confidence reposed in us over the years is further enhanced. We have already received regulatory approval for our USSD platform to cater to micro insurance requirements of the insuring public, and our other digital initiative is awaiting regulatory approval. We have also come out with a documentary with a view to enhance insurance awareness. All these initiatives show our keenness to support the Regulator's initiatives to increase insurance penetration and reach. We would continue to look out for cutting edge technology to enhance our capabilities to offer better solutions to our business partners and clientele.

Human Resource Capacity Development

It has always been our focus to nurture and groom Tanzanian talent so that they can make steady progress in their careers and can take on higher responsibilities. Maintaining a healthy and positive work environment to facilitate employee growth, along with training and capacity building continue to be high on our agenda.

CHAIRMAN'S STATEMENT (CONTINUED)

Industry Recognition

We have been awarded the President's Manufacturer of the Year (PMAYA) Award for the tenth time since 2008 for being the best Company in the financial services sector.

ACKNOWLEDGEMENT

I would like to express my gratitude to the Commissioner of Insurance his team at TIRA for the valuable support, inputs and guidance provided to us throughout the year.

I would also like to thank our esteemed Clientele, the Broking fraternity, our Agents and all our valued business associates for their continued support, which has in no mean measure contributed to our healthy all round performance.

Needless to mention, our team of committed employees has played a stellar role in maintaining our customer service parameters at the highest level, which has contributed to ensuring customer satisfaction and healthy results as well.

I sincerely thank my fellow Directors on the Board for their support & continued guidance in strengthening the Company and taking it to greater heights of excellence, and look forward to similar support in future as well.

....
Shaffin Jamal
Chairman
Date: May 30th, 2020

DIRECTORS' REPORT

The directors submit their report and the audited financial statements for the year ended 31 December 2019, 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. In year 2018, the company invested in , Union Insurance Brokers Limited ("foreign subsidiary") in Rwanda which its nature of business is brokerage.

2. GROUP RESULTS

Particulars	**2019 TZS. Millions**	**2018 TZS. Millions**
Profit before tax	10,461	8,373
Tax charge	(1,819)	(3,106)
Profit for the year	**8,642**	**5,268**

3. SHARE CAPITAL

The issued and paid up share capital of the company is Tzs. 11,500,000,000 (2018: Tzs 11,500,000,000).

4. DIVIDEND

The Board of Directors recommended total Dividend for the year ended 31st December 2019 of Tzs 6,500 million (2018: 5,000 million) out of which Interim dividend amounting to Tzs 1,000 million was declared and paid to shareholders during the year (2018: Tzs 1,500 million).

5. DIRECTORS

The directors of the company at the date of this report, who held office since 1 January 2019, except as otherwise stated are:

Name	**Nationality**	**Date of appointment**	**Position**	**Age**
Shaffin Jamal	Tanzanian	1/24/1996	Chairman	49
Yogesh M Manek	Tanzanian	1/1/2004	Director	65
Narendra P Thaker	Kenyan	12/26/1998	Director	87
Dr. Alex Nguluma	Tanzanian	12/1/2000	Director	67
Kalpesh Mehta	British	11/1/2013	Director	50

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 2.143 billion 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.98.39 million (2018: 73.67 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 305.27 million equivalent to Tzs. 184.87 million (2018:Ush 250.59 million equivalent to Tzs 149.3 million) has been transferred to a contingency reserve account in accordance with Section 47(2) of the Uganda Insurance Act, Cap. 213.

DIRECTORS' REPORT (CONTINUED)

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 33 to the financial statements.

10. SOLVENCY

The directors consider the group's solvency position as shown on the statement of financial position set out on page 12 of these financial statements to be very satisfactory. The company's solvency margin at 31 December 2019 exceeded the minimum required by The Insurance Act 2009, by Tzs 10,697 million (2018: Tzs 11,653 million).

11. EMPLOYEE WELFARE

The Company's entities employment terms are reviewed annually to ensure that they meet statutory and market conditions. The Company'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. Balakrishna Sreekumar & Co. has been appointed as auditors of the Company for the financial year 2019 in duly constituted previous annual general meeting and they have expressed their willingness to continue in office and are eligible for re-appointment.

By Order of the Board,

....

G.M. Director
Date: May 30th, 2020

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 Company 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 Company as at 31 December 2019 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 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 pages 9 to 10.

The directors have reviewed the Company's cash flow forecast for the year to 31 December 2020 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 that the company will not be a going concern in the year ahead.

Approved by the Board of Directors on May 30th, 2020 and signed on its behalf by:

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

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

It is the duty of a Professional Accountant to assist the management committee to discharge the responsibility of preparing financial statements of an entity showing true and fair view of the entity position and performance in accordance with applicable International Accounting Standards and statutory financial reporting requirements.

Full legal responsibility for the preparation of financial statements rests with the Board of Directors as mentioned under Directors' responsibility statement on an earlier page.

I, Kanjari Ramji being the Head of Finance of Alliance Insurance Corporation Limited hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31st December 2019 have been prepared in compliance with applicable accounting standards and statutory requirements.

I thus confirm that the financial statements give a true and fair view position of Alliance Insurance Corporation Limited as on that date and that they have been prepared based on properly maintained financial records.

....

Signed by: Kanjari Ramji

Position: Financial Controller

NBAA membership no.: ACPA 3627

Date: 27/03/2020

ARCH Actuarial Consulting

PO Box 12573, MILL STREET, 8010, South Africa
Suite E2, Westlake Square, Westlake, Cape Town
tel 021 701 2277 ◇ fax 021 701 3495
chanan@archac.com ◇ www.archac.com

Analysis ◇ Retirement ◇ Compensation ◇ Health

30 March 2020, 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 2019

I have conducted an actuarial valuation of the life assurance business of Alliance Insurance Corporation Limited as at 31 December 2019.

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 2019.

Nicolette Patchett
Fellow of the Faculty of Actuaries
Fellow of the Actuarial Society of South Africa
On behalf of ARCH Actuarial Consulting
30 March 2020

Balakrishna Sreekumar & Co.
CERTIFIED PUBLIC ACCOUNTANTS

Balakrishna Sreekumar & Co.
254 Alykhan Road | Upanga |
P O Box 948 | Dar es Salaam | Tanzania
T: +255 22 215 3137 | +255 715 505678
E: sree@bsk.co.tz | kapil@bsk.co.tz
W: www.bsk.co.tz

TO THE MEMBERS OF ALLIANCE INSURANCE CORPORATION LIMITED

Opinion

We have audited the accompanying consolidated financial statements of Alliance Insurance Corporation Limited (the Company), as set out on pages 11 to 53 which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019 and of its total comprehensive income after tax of Tzs. 8,537 (millions) and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Tanzanian Companies Act 2002.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in United Republic of Tanzania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in United Republic of Tanzania. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors are responsible for the other information. The other information comprises the Chairman's report and Directors' report as required by the Tanzanian Companies Act 2002 of United Republic of Tanzania, which we obtained prior to the date of this report. Other information does not include the Financial Statements and our auditor's report thereon.

Our opinion on the Financial Statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

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

Responsibilities of the directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the Financial Statements in accordance with International Financial Reporting Standards and the requirements of the Tanzanian Companies Act 2002 and the Insurance Act, 2009 and for such internal control as the directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibility

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

Partners: Dr. B S Sreekumar, FCA (India), CPA (T), MBA, PhD, **Kapil Garg**, FCA (India), CPA (T), DipIFR

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other matters

The Consolidated Alliance Insurance Corporation Limited's financial statements include 4 subsidiaries. We did not audit the financial statements and other financial information in respect of 3 subsidiaries which has total assets of Tshs 28.8 billion as at December 31, 2019 and total revenues of Tshs 16.7 billion for the year ended on that date. These financial statements and other financial information have been audited by other auditors which financial statements, other financial information and auditor's reports have been furnished to us by the management. Our opinion on the Consolidated Financial Statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries in so far as it relates to the aforesaid subsidiaries is based solely on the reports of such other auditors.

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 statement of financial position and of comprehensive income are in agreement with the accounting records.

Dr. B.S. Sreekumar
Managing Partner
Balakrishna Sreekumar & Co.
Certified Public Accountants

Dar es Salaam
Date: May 30th, 2020

Alliance Insurance Corporation Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 31st December 2019
(All amounts in Tzs. 'millions' unless otherwise stated)

	Note	2019 TZS. Millions	2018 TZS. Millions
Gross earned premiums	1	92,026	80,893
Less: premiums ceded out to reinsurers	2	(38,839)	(35,647)
Net earned premiums		53,187	45,246
Rental income		37	34
Investment income	3	7,762	5,896
Commission earned	4	7,394	6,786
Other income	5	44	17
Net income		**68,423**	**57,979**
Claims and policy holders benefits payable	6	39,423	34,665
Less: amounts recoverable from reinsurers	6	(15,390)	(12,783)
Net claims payable		24,034	21,882
Operating and other expenses		16,376	13,962
Commission expenses	7	17,574	14,147
Net impairment losses on financial assets		(21)	(384)
Total expenses		**57,963**	**49,606**
Profit before tax	8	10,461	8,373
Tax charge	10	(1,819)	(3,106)
Profit for the year		**8,642**	**5,268**
Profit for the year attributable to:			
Owners of the parent		8,563	5,264
Non-controlling interest		79	4
Profit for the year		**8,642**	**5,268**
Other comprehensive Income			
Fair value gain/(loss) on financial assets	36	(167)	(174)
Fair value gain on property	36	187	-
Deferred tax charge on gain on revaluation of property	36	(56)	-
Disposal of unit trusts		(81)	
Deferred tax credit/(charge) on fair value gain on financial assets	36	50	12
Depreciation charge on revaluation part of property	18	(54)	(54)
Reversal of deferred tax charge on gain on revaluation of property	36	16	16
Total other comprehensive (loss)/income		**(105)**	**(200)**
Total comprehensive income for the year		**8,537**	**5,068**
Total comprehensive income for the year			
Attributable to:			
Owners of the parent		8,458	5,064
Non-controlling interest		79	4
Total comprehensive income for the year		**8,537**	**5,068**
Dividend:			
Proposed and paid during the year - Interim	12	1,000	1,500
Proposed for the year - Final	12	5,500	3,500
Earning per share			
Basic (Tzs. in '000) - Restated		37.23	22.90

The significant accounting policies on pages 18 to 28 and the notes on pages 29 to 53 form an integral part of these financial statements

Report of the Auditors' - Pages 9 to 10

Alliance Insurance Corporation Limited
Company statement of profit or loss and other comprehensive income
For the year ended 31st December 2019
(All amounts in Tzs. 'millions' unless otherwise stated)

	Note	2019 TZS. Millions	2018 TZS. Millions
Gross earned premiums	1	69,310	61,889
Less: premiums ceded out to reinsurers	2	(29,856)	(27,690)
Net earned premiums		39,454	34,199
Investment income	3	6,833	5,514
Commission earned	4	5,608	5,552
Other income	5	22	13
Net income		**51,917**	**45,278**
Claims and policy holders benefits payable	6	27,161	27,048
Less: amounts recoverable from reinsurers	6	(8,343)	(9,395)
Net claims payable		18,818	17,653
Operating and other expenses		10,339	9,069
Commission expenses	7	12,411	10,134
Net impairment losses on financial assets		105	49
Total expenses		**41,673**	**36,905**
Profit before tax	8	10,244	8,373
Tax charge	10	(1,561)	(2,691)
Profit for the year		**8,683**	**5,682**
Other comprehensive Income			
Fair value gain/(loss) on financial assets	36	(167)	(134)
Fair value gain on property	36	187	-
Deferred tax charge on gain on financial assest	36	50	-
Deferred tax charge on gain on revaluation of property	36	(56)	-
Disposal of unit trusts		(81)	-
Depreciation charge on revaluation part of property	18	(22)	(22)
Reversal of deferred tax charge on gain on revaluation of property	36	7	7
Total other comprehensive income		**(82)**	**(149)**
Total comprehensive income for the year		**8,601**	**5,533**
Dividend:			
Proposed and paid during the year - Interim	12	1,000	1,500
Proposed for the year - Final	12	5,500	3,500
Earning per share			
Basic (Tzs. in '000) - Restated		37.75	24.71

The significant accounting policies on pages 18 to 28 and the notes on pages 29 to 53 form an integral part of these financial statements.

Report of the Auditors' - Pages 9 to 10

Alliance Insurance Corporation Limited
Consolidated statement of financial position
As at 31st December 2019
(All amounts in Tzs. 'millions' unless otherwise stated)

	Note	2019 TZS.	2018 TZS.
CAPITAL EMPLOYED			
Share capital	13	11,500	11,500
Capital reserve	14	36	25
Contingency reserve	14	15,211	12,779
Revaluation reserve	37	474	579
Retained earnings	16	6,412	6,138
Equity attributable to the owners of the parent		33,633	31,021
Non-controlling interest		1,705	1,655
Total equity		**35,338**	**32,676**
REPRESENTED BY			
Assets			
Property & equipment	18(a)	5,522	4,296
Investment in property	18(b)	808	1,473
Intangible assets	19	138	215
Right-of-use asset	28	924	-
Deferred tax assets	20	1,890	173
Financial assets designated at fair value through other comprehensive income	21(a)	7,254	8,930
Financial assets at amortised cost	21(b)	65,946	48,753
Reinsurance arrangement debtors		1,522	1,351
Receivables arising out of direct insurance arrangements	23	5,690	4,179
Reinsurers' share of insurance contract liabilities	24	25,410	26,758
Deferred acquisition costs	25	3,319	2,239
Other receivables	26	1,872	1,237
Tax recoverable		430	172
Cash and cash equivalents	27(a)	5,457	14,477
Branch preliminary expenses		137	137
Total assets		**126,319**	**114,390**
Liabilities			
Insurance contract liabilities	17	38,098	38,096
Provisions for unearned premium and unexpired risks	29	32,120	27,701
Reinsurance arrangement creditors		13,416	9,759
Borrowings	27(b)	-	358
Bank overdraft	27(b)	1,644	160
Lease Liabilities	28	970	-
Other payables	30	4,733	5,639
Total liabilities		**90,981**	**81,713**
Total net assets		**35,338**	**32,676**

The financial statements on pages 11 to 53 were authorised and approved for issue by the board of directors on May 30th, 2020 and signed on its behalf by:

Shaffin Jamal
Chairman

Yogesh Manek
Director

K V A Krishnan
Managing Director

The significant accounting policies on pages 18 to 28 and the notes on pages 29 to 53 form an integral part of these financial statements.

Report of the Auditors' - Pages 9 to 10

Alliance Insurance Corporation Limited
Company statement of financial position
As at 31st December 2019
(All amounts in Tzs. 'millions' unless otherwise stated)

	Note	2019 TZS. Millions	2018 TZS. Millions
CAPITAL EMPLOYED			
Share capital	13	11,500	11,500
Contingency reserve	14	14,076	11,933
Revaluation reserve	37	1,880	1,962
Retained earnings	16	6,544	5,984
Total equity		**34,000**	**31,379**
REPRESENTED BY			
Assets			
Property & equipment	18 (a)	2,034	2,262
Investment in property	18 (b)	808	-
Intangible assets	19	7	53
Deferred tax assets	20	1,758	128
Financial assets designated at fair value through other comprehensive income	21(a)	6,608	8,385
Financial assets at amortised cost	21(b)	50,928	36,252
Investments accounted for using the equity method	22	7,712	7,425
Loan to subsidiary	32(c)	3,050	3,050
Reinsurance arrangement debtors		1,004	981
Receivables arising out of direct insurance arrangements	23	2,081	264
Reinsurers' share of insurance contract liabilities	24	21,462	23,962
Deferred acquisition costs	25	2,692	1,892
Other receivables	26	2,171	1,381
Cash and cash equivalents	27(a)	3,410	10,887
Branch preliminary expenses		137	137
Total assets		**105,862**	**97,059**
Liabilities			
Insurance contract liabilities	17	28,324	30,419
Provisions for unearned premium and unexpired risks	29	27,053	24,714
Reinsurance arrangement creditors		12,764	6,988
Bank overdraft	27(b)	1,644	-
Tax payable		240	412
Deferred tax liabilities	20	-	-
Other payables	30	1,837	3,147
Total liabilities		**71,862**	**65,680**
Total net assets		**34,000**	**31,379**

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The significant accounting policies on pages 18 to 28 and the notes on pages 29 to 53 form an integral part of these financial statements.

Report of the Auditors' - Pages 9 to 10

(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	Non controlling interests TZS. Millions	Total TZS. Millions
Balance at 1 January 2018 (Restated)		11,500	1	10,626	779	8,776	1,673	**33,355**
Fair value gain/(loss)								
- on available for sale								
financial assets	36	-	-	-	(174)	-	-	**(174)**
- on property	36	-	-	-	-	-	-	-
Deferred tax credit/(charge) on								
-fair value gain on available								
for-sale financial assets	36	-	-	-	12	-	-	**12**
-revaluation of property	36	-	-	-	-	-	-	-
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		-	-	-	-	5,264	4	**5,268**
Issue of bonus shares		-	-	-	-	-	-	-
Withholding tax paid on bonus issue		-	-	-	-	-	-	-
Transfer to contingency reserve								
- general business	14	-	24	2,079	-	(2,103)	-	-
- long term business	14	-	-	74	-	(52)	(22)	-
Transfer to capital reserve		-	-	-	-	-	-	-
Dividends								
- final paid for 2017	12	-	-	-	-	(4,000)	-	**(4,000)**
- interim paid for 2018	12	-	-	-	-	(1,800)	-	**(1,800)**
		-	-	-	-	-	-	-
Exchange gain on consolidation		-	-	-	-	54	-	**54**
At 31 December 2018		**11,500**	**25**	**12,779**	**579**	**6,138**	**1,655**	**32,676**
At 1 January 2019		11,500	25	12,779	579	6,138	1,655	**32,676**
Fair value gain/(loss)								
financial assets	36	-	-	-	(167)	-	-	**(167)**
- on property	36	-	-	-	187	-	-	**187**
Deferred tax credit/(charge) on								
-fair value gain								
financial assets	36	-	-	-	50	-	-	**50**
-revaluation of property	36	-	-	-	(56)	-	-	**(56)**
Dep. charge on revaluation								-
part of property	18	-	-	-	(54)	-	-	**(54)**
Reversal of sale of UTT Shares		-	-	-	(81)	(1,480)	-	**(1,561)**
Reversal of Deferred tax charge on								-
gain on revaluation of property	36	-	-	-	16	-	-	**16**
Profit for the year		-	-	-	-	8,458	79	**8,537**
Issue of bonus shares		-	-	-	-	-	-	-
Withholding tax paid on bonus issue		-	-	-	-	-	-	-
Transfer to contingency reserve								
- general business	14	-	11	2,334	-	(2,345)	-	-
- long term business	14	-	-	98	-	(69)	(29)	-
Transfer to capital reserve		-	-	-	-	-	-	-
Dividends								
- final paid for 2018	12	-	-	-	-	(3,500)	-	**(3,500)**
- interim paid for 2019	12	-	-	-	-	(1,000)	-	**(1,000)**
		-	-	-	-	-	-	-
Exchange gain on consolidation		-	-	-	-	210	-	**210**
At 31 December 2019		**11,500**	**36**	**15,211**	**474**	**6,412**	**1,705**	**35,338**

The significant accounting policies on pages 18 to 28 and the notes on pages 29 to 53 form an integral part of these financial statements.

Report of the Auditors' - Pages 9 to 10

(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	Total TZS. Millions
Restated balance at 1 January 2018		11,500	10,003	2,111	7,732	**31,346**
Fair value gain/(loss)						
- on available for sale financial assets	36	-	-	(134)	-	**(134)**
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		-	-		5,682	**5,682**
Issue of bonus shares		-	-	-	-	-
Withholding tax paid on bonus issue		-	-	-	-	-
Transfer to contingency reserve						
- general business	14	-	1,930	-	(1,930)	-
- long term business	14	-	-	-	-	-
Dividends						
- final paid for 2017	12	-	-	-	(4,000)	**(4,000)**
- interim paid for 2018	12	-	-	-	(1,500)	**(1,500)**
At 31 December 2018		**11,500**	**11,933**	**1,962**	**5,984**	**31,379**
Balance at 1 January 2019		11,500	11,933	1,962	5,984	**31,379**
Fair value gain/(loss)						
- on financial assets at fair value through other comprehensive income	36	-	-	(167)	-	**(167)**
- on property		-	-	187	-	**187**
Deferred tax charge on gain on fianacial assets		-	-	50	-	**50**
Deferred tax charge on gain on revaluation of property				(56)		**(56)**
Reversal of sale of UTT Shares		-	-	(81)	(1,480)	**(1,561)**
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		-	-		8,683	**8,683**
Issue of bonus shares		-	-	-	-	-
Withholding tax paid on bonus issue		-	-	-	-	-
Transfer to contingency reserve						
- general business	14	-	2,143	-	(2,143)	-
- long term business	14	-	-	-	-	-
Dividends						
- final paid for 2018	12	-	-	-	(3,500)	**(3,500)**
- interim paid for 2019	12	-	-	-	(1,000)	**(1,000)**
At 31 December 2019		**11,500**	**14,076**	**1,880**	**6,544**	**34,000**

The significant accounting policies on pages 18 to 28 and the notes on pages 29 to 53 form an integral part of these financial statements.

Report of the Auditors' - Pages 9 to 10

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

		Group		Company	
	Note	2019 TZS. Millions	2018 TZS. Millions	2019 TZS. Millions	2018 TZS. Millions
Operating activities					
Cash generated from/(used in) operations	31	8,909	12,490	7,767	11,735
Tax paid		(3,780)	(2,977)	(3,362)	(2,494)
Net cash generated from/(used in) operations		**5,129**	**9,513**	**4,405**	**9,241**
Investing activities					
Purchase of property & equipment	18	(255)	(152)	(54)	(110)
Purchase of investment property		(808)	-	(808)	-
Purchase of right to use asset		(1,347)	-	-	-
Purchase of intangible assets	19	(135)	(172)	(5)	(11)
Purchase of financial assets	21	(17,286)	(20,287)	(13,395)	(20,287)
Investment in subsidiary	22	-	-	(287)	(134)
Proceeds from disposal of financial assets	21	2,024	20,606	2,024	19,828
Proceeds from disposal of quoted shares		-	-	5	-
Interest received		5,845	5,343	3,163	3,158
Dividend received		341	155	341	855
Net cash generated from/(used in) investing activities		**(11,622)**	**5,493**	**(9,015)**	**3,299**
Financing activities					
Borrowings		358	(358)	-	(209)
Principal paid on lease liabilities		(122)	-	-	-
Interest paid on lease liabilities		67	-	-	-
Dividend paid - ordinary shareholders		(4,500)	(5,800)	(4,500)	(5,500)
Net cash generated from/(used in) financing activities		**(4,197)**	**(6,158)**	**(4,500)**	**(5,709)**
Increase/(decrease) in cash and cash equivalents		**(10,689)**	**8,848**	**(9,110)**	**6,831**
Movement in cash and cash equivalents					
As at 1 January		14,317	5,017	10,887	3,673
Increase/(decrease) in cash and cash equivalents		(10,689)	8,848	(9,110)	6,831
Effect of exchange rates changes on cash and cash equivalents		(25)	398	(11)	383
Exchange gain (loss)		210	54	-	-
As at 31 December	27(a)	**3,813**	**14,317**	**1,766**	**10,887**

The significant accounting policies on pages 18 to 28 and the notes on pages 29 to 53 form an integral part of these financial statements.

Report of the Auditors' - Pages 9 to 10

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 Group started commercial operations from 1 July 2010.

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.

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.

In year 2018, the company invested in a new company, Union Insurance Brokers Limited ("foreign subsidiary") in Rwanda which its nature of business is brokerage.

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 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

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 Company'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

In the current year, the Group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Amendments to IAS 12 Income Taxes: Annual Improvements to IFRS 2015 - 2017 cycle

The amendment specifies that the income tax consequences on dividends are recognised in profit or loss, other comprehensive income or equity according to where the entity originally recognised the events or transactions which generated the distributable reserves.

The effective date of the amendment is for years beginning on or after January 1, 2019.
The company has adopted the amendment for the first time in the 2019 financial statements.
The impact of the amendment is not material.

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

IFRIC 23: Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. Specifically, if it is probable that the tax authorities will accept the uncertain tax treatment, then all tax related items are measured according to the planned tax treatment. If it is not probable that the tax authorities will accept the uncertain tax treatment, then the tax related items are measured on the basis of probabilities to reflect the uncertainty. Changes in facts and circumstances are required to be treated as changes in estimates and applied prospectively.

The effective date of the interpretation is for years beginning on or after January 1, 2019.
The company has adopted the amendment for the first time in the 2019 financial statements.
The impact of the interpretation is not material.

IFRS 16: Leases

IFRS 16 Leases is a new standard which replaces IAS 17 Leases, and introduces a single lessee accounting model. The main changes arising from the issue of IFRS 16 which are likely to impact the company are as follows:

Group as lessee:

- Lessees are required to recognise a right-of-use asset and a lease liability for all leases, except short term leases or leases where the underlying asset has a low value, which are expensed on a straight line or other systematic basis.
- The cost of the right-of-use asset includes, where appropriate, the initial amount of the lease liability; lease payments made prior to commencement of the lease less incentives received; initial direct costs of the lessee; and an estimate for any provision for dismantling, restoration and removal related to the underlying asset.
- The lease liability takes into consideration, where appropriate, fixed and variable lease payments; residual value guarantees to be made by the lessee; exercise price of purchase options; and payments of penalties for terminating the
- The right-of-use asset is subsequently measured on the cost model at cost less accumulated depreciation and impairment and adjusted for any re-measurement of the lease liability. However, right-of-use assets are measured at fair value when they meet the definition of investment property and all other investment property is accounted for on the fair value model. If a right-of-use asset relates to a class of property, plant and equipment which is measured on the revaluation model, then that right-of-use asset may be measured on the revaluation model.
- The lease liability is subsequently increased by interest, reduced by lease payments and re-measured for reassessments or modifications.
- Re-measurements of lease liabilities are affected against right-of-use assets, unless the assets have been reduced to nil, in which case further adjustments are recognised in profit or loss.
- The lease liability is re-measured by discounting revised payments at a revised rate when there is a change in the lease term or a change in the assessment of an option to purchase the underlying asset.
- The lease liability is re-measured by discounting revised lease payments at the original discount rate when there is a change in the amounts expected to be paid in a residual value guarantee or when there is a change in future payments because of a change in index or rate used to determine those payments.
- Certain lease modifications are accounted for as separate leases. When lease modifications which decrease the scope of the lease are not required to be accounted for as separate leases, then the lessee re-measures the lease liability by decreasing the carrying amount of the right of lease asset to reflect the full or partial termination of the lease. Any gain or loss relating to the full or partial termination of the lease is recognised in profit or loss. For all other lease modifications which are not required to be accounted for as separate leases, the lessee re-measures the lease liability by making a corresponding adjustment to the right-of-use asset.
- Right-of-use assets and lease liabilities should be presented separately from other assets and liabilities. If not, then the line item in which they are included must be disclosed. This does not apply to right-of-use assets meeting the definition of investment property which must be presented within investment property. IFRS 16 contains different disclosure requirements compared to IAS 17 leases.

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

IFRS 16: Leases (continued)

Group as lessor:

- Accounting for leases by lessors remains similar to the provisions of IAS 17 in that leases are classified as either finance leases or operating leases. Lease classification is reassessed only if there has been a modification.
- A modification is required to be accounted for as a separate lease if it both increases the scope of the lease by adding the right to use one or more underlying assets; and the increase in consideration is commensurate to the stand alone price of the increase in scope.
- If a finance lease is modified, and the modification would not qualify as a separate lease, but the lease would have been an operating lease if the modification was in effect from inception, then the modification is accounted for as a separate lease. In addition, the carrying amount of the underlying asset shall be measured as the net investment in the lease immediately before the effective date of the modification. IFRS 9 is applied to all other modifications not required to be treated as a separate lease.
- Modifications to operating leases are required to be accounted for as new leases from the effective date of the modification. Changes have also been made to the disclosure requirements of leases in the lessor's financial statements.

Sale and leaseback transactions:

- In the event of a sale and leaseback transaction, the requirements of IFRS 15 are applied to consider whether a performance obligation is satisfied to determine whether the transfer of the asset is accounted for as the sale of an asset.
- If the transfer meets the requirements to be recognised as a sale, the seller-lessee must measure the new right-ofuse asset at the proportion of the previous carrying amount of the asset that relates to the right-of-use retained. The buyer-lessor accounts for the purchase by applying applicable standards and for the lease by applying IFRS 16
- If the fair value of consideration for the sale is not equal to the fair value of the asset, then IFRS 16 requires adjustments to be made to the sale proceeds. When the transfer of the asset is not a sale, then the seller-lessee continues to recognise the transferred asset and recognises a financial liability equal to the transfer proceeds. The buyer-lessor recognises a financial asset equal to the transfer proceeds.

The effective date of the standard is for years beginning on or after January 1, 2019.
The company has adopted the standard for the first time in the 2019 financial statements.
The Group change its accounting policies and make certain prospective adjustments following the adoption of IFRS 16. This is disclosed in accounting policy note 2 .

(ii) Standards and Interpretations early adopted

The Company has chosen not to early-adopt any new or amended standards in the year ended December 31, 2019.

(iii) Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after January 1, 2020 or later periods:

IFRS 17: Insurance contracts

The IFRS establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued.

The effective date of the standard is for years beginning on or after January 1, 2021.
The company expects to adopt the standard for the first time in the 2021 financial statements.
The impact of this standard is currently being assessed.

B Change in accounting policy

The financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards.

IFRS 16 - Leases

During the year, the company changed its accounting policy with respect to the treatment of leases previously classified as finance leases, the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

(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.

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) 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 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.

(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	5.00
Exim Tower interior renovation	20.00
Motor vehicles	20.00
Furniture and fittings	10.00
Office equipment	25.00
Computer equipment	33.33

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

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 assets and liabilities

Measurement methods

Amortised cost and effective interest rate
The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

Interest income
Interest income is recognised using the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.
Initial recognition and measurement
The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

The Group exercises judgment in determining whether the contractual terms of financial assets it originates or acquires give rise on specific dates to cash flows that are solely payments of principal and interest income on the principal outstanding and so may qualify for amortised cost measurement. In making the assessment the Group considers all contractual terms, including any prepayment terms or provisions to extend the maturity of the assets, terms that change the amount and timing of cash flows and whether the contractual terms contain leverage.

Classification and subsequent measurement of financial assets

From 1 January 2018, the Group has applied IFRS 9 and classifies its financial assets in the following measurement categories:

(i) Fair value through profit or loss (FVPL);
(ii) Fair value through other comprehensive income (FVOCI); or
(iii) Amortised cost.

The classification requirements for debt and equity instruments are described below:

(m) Financial assets and liabilities

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and premiums payable.

Classification and subsequent measurement of debt instruments depend on:

(i) the Group's business model for managing the asset; and
(ii) the cash flow characteristics of the asset.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 6.1.1 interest income from these financial assets is included in 'Special commission income' using the effective interest method
- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, special commission income and foreign exchange gains and losses on the instrument's amortised cost which are recognised in the statement of income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to statement of income. Interest income from these financial assets is included in 'Special commission income' using the effective interest rate method.

- Fair value through profit or loss (FVPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at

Business model:
The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. For example, the liquidity portfolio of assets, which is held by the Group as part of liquidity management and is generally classified within the hold to collect and sell business model. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVPL.

Solely payments of principal and interest:
Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and profit. In making this assessment, the Group considers whether the contractual cash flows are consistent with the lending agreement i.e. profit includes only consideration for the time value of resources, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.
The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the year.

(m) Financial assets and liabilities

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity

The Group subsequently measures all equity investments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to the statement of income, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in the statement of income as 'Dividend income' when the Group's right to receive payments is established.

Gains and losses on equity investments at FVPL are included in the 'Net gains on investments mandatorily measured at fair value through profit or loss' line in the statement of income.

Impairment

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The Group applies the expected credit losses ('ECL') on its debt instruments measured at amortised cost and FVOCI, which are in the scope of IFRS 9 for impairment. The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of resources; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Note 35 provides more detail of how the expected credit loss allowance is measured.

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

Derecognition of financial assets

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownership, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

The Group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in statement of income.

Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as subsequently measured at amortised cost, except for financial liabilities at fair value through profit or loss: this classification is applied to financial liabilities designated as fair value through profit or loss at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in the statement of income;

Derecognition of financial liabilities

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

(m) Financial assets and liabilities (continued)

Impairment of non-financial assets

The entity assesses annually whether there is any indication that any of its assets have been impaired, if such indication exists, the asset's recoverable amount is estimated and compared to its carrying value. Where it is impossible to estimate the recoverable amount of an individual asset., the entity estimates the recoverable amount of the smallest cash generating unit to which the asset is allocated. If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, an impairment loss is recognised immediately in profit or loss, unless the asset is carried to a revalued amount, in which case the impairment loss is recognised as revaluation decrease.

Impairment losses recognised in prior years are assessed at each reporting date for any indicators that the loss has decreased or no longer exists. An impairment loss is reversed only if there has been a change in the estimates used to determine, net of depreciation or amortisation, if no impairment loss has been recognised. An impairment loss in respect of goodwill is not recognised

(n) Trade receivables

Trade receivables are recognised when due and are measured on initial recognition at the fair value of the consideration received or receivable. At each reporting date, the Group assesses whether there is any indication that a trade receivables asset may be impaired by applying the expected credit losses ('ECL') model. Any resulting impairment loss is recorded in the statement of comprehensive income. On derecognition of a premium receivable asset, the difference between the assets carrying amount and the sum of the consideration received and receivable is recognised in statement of comprehensive income.

(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

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.

1. Gross earned premiums

The Company 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.
During the year 2017, the company has started transacting health insurance business.

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

	Group	
	2019	**2018**
General insurance business	**Gross earned premium**	**Gross earned premium**
Fire	17,073	16,146
Motor	39,835	32,761
Marine	6,754	6,546
Miscellaneous	11,463	10,713
Engineering	2,882	2,316
Health	1,898	1,667
Comoros operations	202	1,280
Gross written premium	80,107	71,429
Less: Movement in unearned premium	(3,136)	(2,712)
Gross earned premium	**76,971**	**68,717**
Life assurance business		
Ordinary life	310	399
Company life	14,745	11,777
	15,055	**12,176**
Total	**92,026**	**80,893**

	Company	
	2019	**2018**
General insurance business	**Gross earned premium**	**Gross earned premium**
Fire	15,299	14,744
Motor	36,766	29,869
Marine	5,628	5,307
Miscellaneous	9,827	9,177
Engineering	2,029	2,293
Health	1,898	1,667
Comoros operations	202	1,280
Gross written premium	71,649	64,337
Less: Movement in unearned premium	(2,339)	(2,443)
Gross earned premium	**69,310**	**61,889**

2. Premiums ceded out to reinsurers

	Group	
	2019	2018
General insurance business	**Net Reinsurance premiums**	**Net Reinsurance premiums**
Fire	14,184	13,370
Motor	5,506	4,750
Marine	3,581	3,567
Miscellaneous	9,073	8,400
Engineering	1,952	1,637
Health	-	-
Comoros operations	59	752
Gross ceded premium	34,355	32,476
Less: Movement in reinsurer's portion of unearned premium	(731)	(1,638)
Net reinsurance premium	33,624	30,838
Life assurance business		
Ordinary life	81	161
Group life	5,134	4,648
	5,215	4,809
Total	**38,839**	**35,647**

	Company	
General insurance business	**Net Reinsurance premium**	**Net Reinsurance premium**
Fire	12,836	12,066
Motor	5,360	3,851
Marine	3,037	3,086
Miscellaneous	8,102	7,707
Engineering	1,193	1,614
Health	-	-
Comoros operations	59	752
Gross ceded premium	30,587	29,076
Less: Movement in reinsurer's portion of unearned premium	(731)	(1,386)
Net reinsurance premium	**29,856**	**27,690**

3. Investment income

	2019 Group	2018 Group	2019 Company	2018 Company
Interest from government securities:				
- 'amortised cost'	3,403	3,086	3,203	2,887
Interests from fixed deposits				
- amortised cost'	2,442	2,257	1,485	1,238
Interest on loan to subsidiary	-	-	214	151
Dividends income:				
- 'available - from - sale'	341	155	341	855
Gain on disposal of shares	-	-	-	-
Gain on disposal of unit trusts	1,601		1,601	-
Foreign exchange gain/(loss)	(25)	398	(11)	383
	7,762	**5,896**	**6,833**	**5,514**

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

	2019 Group	2018 Group	2019 Company	2018 Company
4. Commission received				
Gross commissions received	7,608	6,831	5,608	5,552
Movement in deferred acquisition costs	(214)	(45)	-	-
	7,394	**6,786**	**5,608**	**5,552**
5. Other income				
Profit on disposal of property and equipment	5	-	5	-
Miscellaneous Income	39	17	17	13
	44	**17**	**22**	**13**

6. Claims and policyholders benefits payable

	Group			
General insurance business	**Gross**	**Reinsurance share**	**2019 Net**	**2018 Net**
Fire	5,969	(5,125)	844	1,521
Motor	15,344	(2,592)	12,752	13,184
Marine	2,284	(1,356)	928	1,117
Miscellaneous	1,967	(1,422)	545	473
Engineering	2,362	(1,636)	726	712
Health	1,817	-	1,817	1,495
Comoros operations	972	(572)	400	246
	30,715	(12,703)	18,012	18,748
Change in liabilities				
Change in claims in IBNR Provision	(138)	431	293	1,012
Change in claims provisions	(437)	2,135	1,698	(1,070)
	(575)	2,566	1,991	(58)
Total general insurance business	30,140	(10,137)	20,003	18,690
Life assurance business				
Company life	9,283	(5,253)	4,031	3,192
Total	**39,423**	**(15,390)**	**24,034**	**21,882**

	Company			
General insurance business	**Gross**	**Reinsurance share**	**2019 Net**	**2018 Net**
Fire	5,914	(5,058)	856	1,525
Motor	14,597	(2,226)	12,371	13,055
Marine	2,175	(1,258)	917	1,051
Miscellaneous	1,740	(1,174)	566	469
Engineering	2,327	(1,574)	753	699
Health	1,817	-	1,817	1,495
Comoros operations	972	(572)	400	246
	29,542	(11,862)	17,680	18,540
Change in liabilities				
Change in claims in IBNR Provision	(397)	584	187	(155)
Change in claims provisions	(1,984)	2,935	951	(732)
	(2,381)	3,519	1,138	(887)
Total general insurance business	27,161	(8,343)	18,818	17,653

	2019 Group	2018 Group	2019 Company	2018 Company
7. Commission expenses				
Gross commission expenses	18,839	14,300	13,211	10,232
Movement in deferred acquisition costs	(1;265)	(153)	(800)	(98)
	17,574	**14,147**	**12,411**	**10,134**
8. Profit before tax				
The following items have been charged in arriving at operating profit before tax:				
Staff costs (Note 9)	7,992	7,274	5,528	4,826
Auditors' remuneration	105	105	48	48
Depreciation on plant and equipment (Note 18)	612	612	396	437
Amortisation (Note 19)	51	50	51	50
Net foreign exchange loss/(gain)	25	(398)	11	(383)
9. Staff costs				
Staff costs include the following:				
Salaries and wages	6,296	5,766	4,375	3,858
NSSF, SDL and WCF	917	747	722	554
Other staff cost	779	761	431	414
	7,992	**7,274**	**5,528**	**4,826**
10. Tax charge				
Current income tax	3,484	2,915	3,172	2,485
Tax charge for prior years	-	277	-	277
Final withholding tax on dividend income	38	62	18	43
Deferred tax charge/(credit) (Note 20)	(1,703)	(148)	(1,629)	(114)
	1,819	**3,106**	**1,561**	**2,692**
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	10,461	8,373	10,244	8,373
Less: Profit from Long Term Business	-	-	-	-
Profit as restated for effective tax charge	10,461	8,373	10,244	8,373
Tax calculated at a tax rate of 30%	3,138	2,512	3,073	2,512
Tax effect of:				
- tax effect of income not subject to tax	(4,774)	(3,397)	(1,674)	(297)
- expenses not deductible for tax purposes	3,455	3,975	162	477
- Prior year tax charge	-	16	-	-
Tax charge	**1,819**	**3,106**	**1,561**	**2,692**

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

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.

	2019	2018
Profit for the year attributable to equity shareholders (Tzs millions)	8,642	5,268
Weighted average number of ordinary shares	230,000	230,000
Earnings per share- basic (in Tzs)	37,572	22,903

There were potentially no diluted shares outstanding as at 31 December 2019 and 31 December 2018.

12. Dividends

A final dividend of Tzs. 3.5 billion was declared and paid to the shareholders for the year 2018 (2017: Tzs 4 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 2019.

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

The directors paid interim dividend of Tzs. 1 billion for the year ended 31.12.2019 (2018: Tzs 1.5 billion).

13. Share capital

	2019	2018
Authorised		
1,000,000 ordinary shares of Tzs. 50,000 each	50,000	50,000
Issued and fully paid		
230,000 ordinary shares of Tzs. 50,000 each	11,500	11,500

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 15 and 16.

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 15 and 16.

17. Insurance contract liabilities

	2019 Group	2018 Group	2019 Company	2018 Company
(i) Long term insurance contracts				
- actuarial value of long term liabilities	7,209	4,945	89	89
- claims reported and claims handling expenses	1,181	1,758	502	502
Total long term	8,390	6,703	591	591
(ii) Short term insurance contracts				
Non-life				
- claims reported and claims handling expenses	24,891	26,259	23,200	24,898
- claims incurred but not reported	4,817	5,134	4,533	4,930
Total non-life	29,708	31,393	27,733	29,828
Total	**38,098**	**38,096**	**28,324**	**30,419**

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 2019, there was no transfer made to the shareholders funds in the year 2019 (2018: 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**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**Total**
At end of Accident Year	52,601	8,498	13,318	11,973	11,755	9,348	7,616	115,110
One year later	54,678	9,208	13,536	13,491	13,826	10,194		114,933
Two years later	54,798	8,954	14,625	13,100	13,019	-		104,496
Three years later	53,159	9,020	13,033	13,022		-		88,233
Four years later	53,560	10,275	13,217	-		-		77,051
Five years later	53,091	10,274	-	-		-		63,365
Six years later	53,591	-	-	-		-		53,591
Current estimate of cumulative claims	**53,591**	**10,274**	**13,217**	**13,022**	**13,019**	**10,194**	**7,616**	120,932
Less: Cumulative payments to date	(51,550)	(8,617)	(11,535)	(10,441)	(10,752)	(5,372)		(98,266)
Liability in the statement of financial position	2,041	1,658	1,682	2,580	2,267	4,822	7,616	22,666
Liability in respect of prior years' IBNR	408	332	336	516	453	964	1,523	4,533
Total Gross Liability included in the statement of financial position	2,449	1,989	2,018	3,097	2,720	5,786	9,139	27,199
Comoros Operations	-					534		534
Total	2,449	1,989	2,018	3,097	2,720	6,320	9,139	27,733

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

18. Property and equipment

	Group								
	Buildings	**Leasehold improve- -ments**	**Exim Tower Expenses**	**Motor Vehicles**	**Furniture and Fittings**	**Office Equip- -ments**	**Other Equip- -ments**	**Computer Equip- -ments**	**Total**
Cost									
At 1 January 2018	5,343	139	168	674	1,179	266	57	495	8,321
Additions	-	-	-	15	4	21	-	111	152
Transfers	-	-	562	-	(562)	-	-	-	-
At 31 December 2018	**5,343**	**139**	**730**	**689**	**621**	**287**	**57**	**606**	**8,473**
At 1 January 2019	5,343	139	730	689	621	287	57	606	8,473
Additions	-	-	-	123	34	15	-	43	215
Capital WIP	-	-	-	-	-	-	-	40	40
Revaluation	187	-	-	-	-	-	-	-	187
Other adjustments			-	28	-	(6)	-	-	22
Disposals	-	-	-	(18)	(9)	-	-	(1)	(28)
Transfers from investment property	1,473	-	-	-	-	-	-	-	1,473
At 31 December 2019	**7,004**	**139**	**730**	**822**	**646**	**296**	**57**	**688**	**10,382**
Depreciation									
At 1 January 2018	1,759	139	168	384	411	184	49	416	3,511
Charge for the year									
- on cost	227		112	110	42	48	-	73	612
- on revaluation	54	-	-	-	-	-	-	-	54
At 31 December 2018	**2,040**	**139**	**280**	**494**	**453**	**232**	**49**	**489**	**4,177**
At 1 January 2019	2,040	139	280	494	453	232	49	489	4,177
Charge for the year									
- on cost	227	-	112	105	42	37	8	65	596
- on revaluation	54	-	-	-	-	-	-	-	54
Disposals/write off	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	10	17	-	-	7	34
At 31 December 2019	**2,321**	**139**	**392**	**609**	**512**	**269**	**57**	**561**	**4,861**
Net book value									
At 31 December 2018	**3,303**	**-**	**450**	**195**	**168**	**55**	**8**	**117**	**4,296**
At 31 December 2019	**4,683**	**-**	**338**	**213**	**134**	**27**	**-**	**127**	**5,522**

The building was revalued in December 2019 by independent professional valuers named 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.(a) Property and equipment (continued)

	Company						
	Buildings	Exim Tower Expenses	Motor Vehicles	Furniture and Fittings	Office Equipment	Computer Equipment	Total
	TZS.	TZS.	TZS.	TZS.	TZS.	TZS.	TZS.
Year 2018							
Cost							
At 1 January 2018	2,477	168	488	913	218	362	4,626
Additions	-		-	3	8	99	110
Transfers	-	562	-	(562)	-	-	-
Disposals/write off	-	-	-	-	-	-	-
At 31 December 2018	**2,477**	**730**	**488**	**354**	**226**	**461**	**4,736**
Depreciation							
At 1 January 2018	838	168	266	279	144	320	2,015
Charge for the year							
- on cost	115	112	80	34	35	61	437
- on revaluation	22	-	-	-	-	-	22
Disposals/write off							
At 31 December 2018	**975**	**280**	**346**	**313**	**179**	**381**	**2,474**
Year 2019							
Cost							
At 1 January 2019	2,477	730	488	354	226	461	4,736
Revaluation	187	-	-	-	-	-	187
Additions	-	-	6	8	12	28	54
Other adjustments		4	28	28	(19)	2	42
Transfers	-	-	-			-	-
Disposals	-	-	(18)	(9)	-	(1)	(28)
At 31 December 2019	**2,664**	**734**	**504**	**381**	**219**	**490**	**4,991**
Depreciation							
At 1 January 2019	975	280	346	313	179	381	2,474
Charge for the year							
- on cost	115	112	74	19	30	46	396
- on revaluation	22	-	-	-	-	-	22
Other adjustments	(2)	4	23	11	(7)	1	31
Impairment	-	-	10	17	-	7	34
At 31 December 2019	**1,112**	**396**	**453**	**360**	**202**	**435**	**2,957**
Net book value							
At 31 December 2018	**1,502**	**450**	**142**	**41**	**47**	**80**	**2,262**
At 31 December 2019	**1,552**	**338**	**50**	**20**	**17**	**54**	**2,034**

The building was revalued in December 2019 by independent professional valuers named 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.

	2019 Group	2018 Group	2019 Company	2018 Company
18 (b). Investment property				
At start of year	1,473	1,473	-	-
Additions	808	-	808	-
Transfers to property	(1,473)	-	-	-
At the end of year	**808**	**1,473**	**808**	-

During the year the company purchased 8th Floor of plot number 1403/45 and 1404/450 located at Exim Tower which will be used for capital appreciation.

19. Intangible assets

Softwares

	2019 Group	2018 Group	2019 Company	2018 Company
Cost				
At start of year	511	339	342	331
Additions	5	172	5	11
Write off	(161)	-	-	-
Capital WIP-Life admin software	130	-	-	-
At the end of year	485	511	347	342
Depreciation				
At start of year	296	246	289	239
Charge for the year	51	50	51	50
At end of year	347	296	340	289
Net book value	**138**	**215**	**7**	**53**

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% (2018: 30%). The movement on the deferred tax account is as follows:

	2019 Group	2018 Group	2019 Company	2018 Company
At start of year	(173)	44	(128)	(7)
Income Statement (credit)/charge	(1,703)	(148)	(1,629)	(114)
Charge to equity (Revaluation Reserve)	(15)	(69)	(1)	(7)
At end of year	(1,890)	(173)	(1,758)	(128)

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:

	Group		
Year ended 31 December 2019	At start of year	Charge/ (Credit) to PLOCI	At end of year
Deferred tax liabilities			
Excess capital allowances	252	(70)	182
Deferred acquisition	570	(570)	-
Unrealised exchange differences	47	(32)	15
	869	(672)	197
Deferred tax assets			
Provision for staff leave	(13)	-	(13)
Provisions for bad debts	(142)	(976)	(1,118)
Other temporary difference	(887)	(70)	(956)
	(1,042)	(1,046)	(2,088)
Deferred tax liability/(asset)	(173)	(1,718)	(1,890)

20. Deferred tax (continued)

	2019 Group	2018 Group
Deferred tax asset	(1,890)	(173)
Deferred tax liability	-	-
Net deferred tax liability/(asset)	(1,890)	(173)

	Company		
Year ended 31 December 2018	**At start of year**	**Charge/ (Credit) to PLOCI**	**At end of year**
Deferred tax liabilities			
Excess capital allowances	155	(31)	124
Deferred acquisition	570	(570)	-
Unrealised exchange differences	40	(43)	(3)
	765	(644)	121
Deferred tax assets			
Provision for staff leave	(13)	-	(13)
Provision for impairment loss	-	(903)	(903)
Other temporary differences	(880)	(83)	(963)
	(893)	(986)	(1,879)
Net deferred tax liability/(asset)	(128)	(1,630)	(1,758)

21(a) Financial assets designated at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income (FVOCI) comprise Equity securities that is quoted and unquoted which are not held for trading, and which the group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the company considers this classification to be more relevant.

	2019 Group	2018 Group	2019 Company	2018 Company
(i) Listed securities	6,021	5,692	5,605	5,471
(ii) Unlisted securities	1,233	3,239	1,003	2,914
	7,254	8,930	6,608	8,385

21(b) Financial assets at amortised cost

The company classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

	2019 Group	2018 Group	2019 Company	2018 Company
Fixed deposits and Corporate bonds	43,952	32,774	30,765	20790
Treasury bonds	22,622	16,107	20,647	15,511
	66,573	48,882	51,412	36,301
Less: loss allowance for investments at amortised cost	(628)	(128)	(484)	(49)
	65,946	48,753	50,928	36,252

The fair values were calculated based on cash flows discounted using a current lending rate. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk.

22. Investments accounted for using the equity method

	Country of Incorporation	Holdings	2019 Company	2018 Company
Shares at fair value				
Alliance Life Assurance Limited	Tanzania	70.00%	4,436	4,436
Dar es Salaam Properties Limited	Tanzania	99.90%	56	56
Alliance Africa General Insurance Limited	Uganda	99.90%	2,799	2,799
Union Insurance Brokers Limited	Rwanda	99.90%	421	134
			7,712	7,425

Alliance Life Assurance Limited (Subsidiary)

On 18th May 2016, the issued and paid up capital was increased from Tzs. 3,000,000,000 to 4,300,000,000 by an issue for cash of 13,000 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. 910,000,000 for 9,100 ordinary shares at a price of Tzs. 100,000 per share.

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 was 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.

On 19th October 2016, the authorised, issued and paid up capital was increased from USh 4,130,000,000 to Ush 5,030,000,000 by an issue for cash of 900 ordinary shares at a price of USh 1,000,000 per share.

23. Receivables arising out of direct insurance arrangements

	2019 Group	2018 Group	2019 Company	2018 Company
Gross receivables arising out of direct insurance arrangements	8,873	8,837	4,608	2,824
IFRS impact as at 1 January 2018	-	(305)	-	(305)
Less: provision for impairment	(3,183)	(4,353)	(2,527)	(2,255)
Net receivables arising out of direct insurance	5,690	4,179	2,081	264
Movement in provision for impairment				
At start of year	4,353	2,431	2,255	2,258
Additions	(1,442)	1,925	-	-
(Written off)/recovered	272	(3)	272	(3)
	3,183	4,353	2,527	2,255

The Company'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.

24. Reinsurers' share of insurance contract liabilities

Reinsurers' share of:

	2019 Group	2018 Group	2019 Company	2018 Company
- unearned premium	12,738	12,007	11,365	10,634
- reinsurance share of IBNR	1,731	2,233	1,563	2,147
- notified claims outstanding	10,941	12,518	8,534	11,181
	25,410	26,758	21,462	23,962

Amounts due from reinsurers in respect of claims already paid by the Company 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)

		2019 Group	2018 Group	2019 Company	2018 Company
25.	**Deferred acquisition costs**				
	At start of year	2,239	2,131	1,892	1,794
	Net increase/(decrease)	1,080	108	800	98
	At end of year	3,319	2,239	2,692	1,892
26.	**Other receivables**				
	Prepayments	442	253	154	125
	Other advances	1,429	983	2,017	1,256
		1,872	1,237	2,171	1,381
27(a).	**Cash and cash equivalents**				
	Cash and bank balances	3,813	14,317	1,766	10,887

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

	2019 Group	2018 Group	2019 Company	2018 Company
Cash and bank balances	5,457	14,477	3,410	10,887
Bank overdraft (Note 27(b)	(1,644)	(160)	(1,644)	-
	3,813	14,317	1,766	10,887

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 Company's cash and cash equivalents are denominated in the following currencies:

	2019 Group	2018 Group	2019 Company	2018 Company
Tanzania Shillings	2,267	8,368	323	5,301
US Dollar	1,341	5,816	1,297	5,456
Comoros Francs	1,790	130	1,790	130
Uganda Shillings	50	156	-	-
Rwandan franc	9	7	-	-
	5,457	14,477	3,410	10,887

27(b). Borrowings

The borrowings is made up as follows:

	2019 Group	2018 Group	2019 Company	2018 Company
Loans	-	358	-	-
Bank overdraft	1,644	160	1,644	-
	1,644	518	1,644	-

28 Leases

	2019 Group	2018 Group	2019 Company	2018 Company
Right-of-use assets				
As at 01 January 2019	-	-	-	-
Additions	1,347	-	-	-
Depreciation	(423)	-	-	-
As at 31 December 2019	924	-	-	-
Lease liability				
As at 01 January 2019	-	-	-	-
Additions	1,024	-	-	-
Lease payments	(122)	-	-	-
Lease liability interest expense	67	-	-	-
Total lease liability as at 31 December 2019	970	-	-	-

29. 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					
	2019			2018		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At start of year (restated)	28,984	(12,007)	16,977	24,989	(10,369)	14,620
Increase during the year (net)	3,136	(731)	2,405	2,712	(1,638)	1,074
At end of year	32,120	(12,738)	19,382	27,701	(12,007)	15,694

	Company					
	2019			2018		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At start of year	24,714	(10,633)	14,081	22,266	(9,247)	13,019
Increase during the year (net)	2,339	(731)	1,608	2,448	(1,386)	1,062
At end of year	27,053	(11,364)	15,689	24,714	(10,633)	14,081

	2019 Group	2018 Group	2019 Company	2018 Company
30. Other payables				
Accrued expenses	1,200	3,296	818	2,612
Stale and cancelled cheques	434	190	434	190
Withholding tax	765	495	492	247
Payables to related party (Note 32(b))	477	-	10	10
Other payables	1,857	1,659	83	88
	4,733	5,639	1,837	3,147

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

31. 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 these litigations 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 2019.

	2019 Group	2018 Group	2019 Company	2018 Company
32. Reconciliation of profit before tax to cash generated from operations:				
Profit before tax	10,461	8,373	10,244	8,373
Adjustments for:				
Prior year adjustment - IFRS9 implementation	-	(4,114)		(2,490)
Impairment is assets property and equipment	34	-	34	-
Impairment loss	(21)	(384)	105	49
Gain on property and equipment	(5)	-	(5)	-
Gain on disposal of unit trusts	(1,601)	-	(1,601)	-
Net foreign exchange losses/(gains) (Note 7)	25	(398)	11	(383)
Interest income (Note 3)	(5,845)	(5,343)	(4,902)	(4,276)
Depreciation and amortization (Note 18)	663	662	447	487
Depreciation of right-of-use assets	423	-	-	-
Dividend income (Note 3)	(341)	(155)	(341)	(855)
Changes in working capital:				
- Insurance contract and other payables	3,515	(1,528)	(1,066)	(1,825)
- Reinsurance arrangement creditors	3,657	1,574	5,776	1,785
- Insurance contracts and other receivables	(3,227)	9,427	(3,407)	7,336
- Reinsurance arrangement debtors	(171)	1,430	(23)	1,792
- Reinsurance share of insurance contract liabilities	1,348	2,946	2,500	1,742
Cash generated from/(used in) operations	**8,909**	**12,490**	**7,767**	**11,735**

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

33. 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 Company. 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.

	2019 Group	2018 Group	2019 Company	2018 Company
(a) Transactions with related parties				
Gross earned premium :				
Union Trust Investment Limited	9	10	9	11
MAC-UTI Properties Limited	72	49	72	38
The Heritage Insurance Company Tanzania Limited	712	347	712	413
Strategis Insurance (Tanzania) Limited	2,283	1,832	1,922	1,667
Alliance Life Assurance Limited	-	-	11	11
Net claims incurred :				
Union Trust Investment Limited	5	1	5	1
The Heritage Insurance Company Tanzania Limited	528	175	528	175
Strategis Insurance (Tanzania) Limited	1,894	1,352	1,817	1,352
Service from related party :				
MAC-UTI Properties Limited	501	562	81	161
Strategis Insurance (Tanzania) Limited	201	174	187	174
Alliance Life	-	-	32	30
Dar es Salaam Properties Limited	-	-	240	238
(b) Outstanding balances with related parties				
Receivables from related parties :				
Premiums receivable from related parties	-	-	-	76
Payables to related parties:				
Alliance Life Assurance Limited	-	-	-	10
		-	-	10
(c) Loan to subsidiary				
Dar es Salaam Properties Limited	-	-	3,050	3,050

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

	2019 Group	2018 Group	2019 Company	2018 Company
(d) Investment in equity				
Alliance Life Assurance Limited	-	-	4,436	4,436
Dar es Salaam Properties Limited	-	-	56	56
Alliance Africa General Insurance Limited	-	-	2,799	2,799
Union Insurance Brokers Limited			421	134
	-	-	7,712	7,425
(e) Directors' remuneration				
- Directors' fees	325	254	103	93
(f) Key management compensation				
Salaries	3,020	3,141	1,690	1,439
Social security benefit cost	221	251	169	144
	3,241	3,392	1,859	1,583

34. Disclosure of fair value of financial assets

(a) Fair values of financial assets

	Group 2019			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
A. Quoted investments	6,021	-	-	6,021
B. Unquoted investments	-	-	1,233	1,233
	6,021	-	1,233	7,254

	Company 2019			
Financial assets				
A. Quoted investments	5,605	-	-	5,605
B. Unquoted investments	-	-	1,003	1,003
	5,605	-	1,003	6,608

(b) Reconciliation of Level 3 fair values	**2019 Group**	**2018 Group**	**2019 Company**	**2018 Company**
At start of year	739	1,611	915	739
Additions	-	-	-	-
Total gains/losses in:				
- other comprehensive income	494	(872)	66	176
At end of year	**1,233**	**739**	**981**	**915**

35. 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.

35. Risk management objectives and policies (continued)

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 next page 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.

General insurance (continued)

	2019 Group	2018 Group	2019 Company	2018 Company
Impact on pre-tax profit				
5 % increase in loss ratios				
Gross	(3,849)	(3,436)	(3,466)	(3,094)
Net	(2,167)	(1,894)	(1,973)	(1,710)
5% decrease in loss ratios				
Gross	3,849	3,436	3,466	3,094
Net	2,167	1,894	1,973	1,710
10% increase in expenses				
Gross	(1,638)	(1,396)	(1,034)	(907)
Net	(1,638)	(1,396)	(1,034)	(907)
Impact on equity				
5 % increase in loss ratios				
Gross	(2,694)	(2,405)	(2,426)	(2,166)
Net	(1,517)	(1,326)	(1,381)	(1,197)
5% decrease in loss ratios				
Gross	2,694	2,405	2,426	2,166
Net	1,517	1,326	1,381	1,197
10% increase in expenses				
Gross	(1,146)	(977)	(724)	(635)
Net	(1,146)	(977)	(724)	(635)

Concentration of insurance risk

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

35. Risk management objectives and policies (continued)

Concentration of insurance risk (continued)

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				
			2019		2018
Short term Business	Before Reinsurance Claims	Reinsurance Recoveries	Net Outstanding Claims	% percentage	Net Outstanding Claims
Fire	5,790	4,600	1,190	6.2%	853
Motor	16,013	1,554	14,459	74.9%	13,413
Marine	2,492	1,058	1,434	7.4%	1,460
Engineering	861	298	563	2.9%	612
Miscellaneous	3,520	2,516	1,004	5.2%	1,117
Health	114	-	114	0.6%	146
Comoros operations	534	-	534	2.8%	249
	29,325	10,026	19,298	100%	17,850

	Company				
			2019		2018
Short term Business	Before Reinsurance Claims	Reinsurance Recoveries	Net Outstanding Claims	% percentage	Net Outstanding Claims
Fire	5,701	4,563	1,138	6.2%	781
Motor	15,275	1,252	14,023	76.4%	12,953
Marine	2,335	994	1,341	7.3%	1,354
Engineering	694	230	464	2.5%	589
Miscellaneous	3,081	2,336	745	4.1%	874
Health	114	-	114	0.6%	146
Comoros operations	534	-	534	2.9%	249
	27,734	9,375	18,359	100%	16,946

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				
			2019		2018
Business	Before Reinsurance Claims	Reinsurance Recoveries	Net Outstanding Claims	% percentage	Net Outstanding Claims
Ordinary life	-	-	-	0	-
Company life	8,392	645	7,747	100%	5,643
	8,392	645	7,747	100%	5,643

35. Risk management objectives and policies (continued)

Concentration of insurance risk (continued)

Life insurance (continued)

	Company				
			2019		2018
Business	**Before Reinsurance Claims**	**Reinsurance Recoveries**	**Net Outstanding Claims**	**% percentage**	**Net Outstanding Claims**
Ordinary life	-	-	-	0	-
Company life	592	298	294	100%	294
	592	298	294	100%	294

(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 2019, 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. 42 m (2018: Tzs. 86 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.42 m (2018: Tzs. 86 m) lower.

- 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	**2019 Group**	**2018 Group**	**2019 Company**	**2018 Company**
Government securities increase	158	113	157	126
Deposits with banks increase	308	229	207	140
Net effect on post tax profit	466	342	364	266

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:

	Group	**Group**	**Company**	**Company**
Effect on the post tax profit				
- Decrease	(363)	(447)	-	(419)

35. Risk management objectives and policies (continued)

(b) Financial risk management (continued)

(ii) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. For all classes of financial instruments held by the Company, the maximum credit risk exposure to the Company is the carrying value as disclosed in the statement of financial position.

Credit risk measurement
IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

a. A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Company.

b. If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.

c. If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.

d. Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.

e. A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward looking information.

The key judgements and assumptions adopted by the Company in addressing the requirements of IFRS 9 :

Credit risk measurement

Significant increase in credit risk
The Company considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative and qualitative criteria have been met.

Quantitative criteria:
- Downward movement in the external credit rating by two notches;
- Downward movement in the external credit rating by one notch if the revised external credit rating becomes below "investment grade";
- Contractual payments are more than 7 days past due;

Qualitative criteria:
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the counterparty that results in a significant decrease in the counterparty's ability to meet its obligations to the Company;
- A group company of the counterparty has defaulted and in the Company's opinion repayment capacity of the counterparty would also be significantly impacted.

Definition of default and credit-impaired assets
The Company defines a financial instruments as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria:
- Contractual payments are more than 90 days past due;
- Counterparty's refusal to pay the amounts due.

Qualitative criteria:
- Information about the bankruptcy of the counterparty;
- Legal case on recovery proceedings;

35. Risk management objectives and policies (continued)

(b) Financial risk management (continued)

The criteria above have been applied to all financial instruments held by the Company and are consistent with the definition of default used for internal risk management purposes. An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six month. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

Based on the detailed analysis of the Companies exposures to the credit risk, the management of the Company have opted to benefit from the practical expedient in calculating the expected credit losses provided by IFRS 9 for financial assets with low credit risk. The management of the Company measures impairment using 12-month expected credit losses for its financial assets subject to impairment. The low credit risk financial assets of the Company meet the following requirements of IFRS 9 to measure impairment using 12-month expected credit losses:

- Low credit
- The counterparties have a strong capacity to meet their obligations in the near term;
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the counterparties to fulfil their contractual cash flow obligations.

The Company uses external credit risk ratings of well-known and reputable rating agencies to assess the probability of default of individual counterparties

Credit risk measurement

The Company does not recognise lifetime expected credit losses on a financial instrument simply because it was considered to have low credit risk in the previous reporting period and is not considered to have low credit risk at the reporting date. In such a case, the Company will determine whether there has been a significant increase in credit risk since initial recognition and thus whether lifetime expected credit losses are required to be recognised.

Measuring expected credit losses

The Expected Credit Loss (ECL) is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12-month PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).
- Loss Given Default (LGD) represents the Company's expectation of the extent of loss on a defaulted exposure. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the exposure.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective profit rate.

35. Risk management objectives and policies (continued)

(b) Financial risk management (continued)

Credit risk measurement (continued)

The Lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the exposures. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

a) Maximum exposure to credit risk – financial instruments subject to ECL

The following tables contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets measured at amortised cost below also represents the Company's maximum exposure to credit risk on these assets.

	31 December 2019				31 December 2018
Financial statement line item	Stage 12 month ECL	Stage Lifetime ECL	Stage 3 Lifetime ECL	**Total**	**Total**
Bank balances and cash	3,410	-	-	3,410	10,772
Held-to-maturity investments/ Financial assets at amortised cost	50,928	-	-	50,928	36,615
Receivables arising out of direct insurance arrangements	2,081	-	-	2,081	305
Reinsurance arrangement debtors	1,004	-	-	1,004	2,783
Gross carrying amount	57,423	-	-	57,423	50,475
Loss allowance	(2,644)			(2,644)	(2,539)
Carrying amount	54,779	-	-	54,779	47,936

Maximum exposure to credit risk – financial instruments subject to ECL

	31 December 2019				31 December 2018
Credit grade	Stage 12 month ECL	Stage Lifetime ECL	Stage 3 Lifetime ECL	**Total**	(Restated) Total
Investment grade	20,787	-	-	20,787	16,195
Non-investment grade	36,636	-	-	36,636	34,280
Standard monitoring	-	-	-	-	-
Special monitoring	-	-	-	-	-
Default	-			-	-
Gross carrying amount	57,423	-	-	57,423	50,475
Loss allowance	(2,644)			(2,644)	(2,539)
Carrying amount	54,779	-	-	54,779	47,936

The Company's exposures to credit risk are not collateralised.

b) Loss allowance

The loss allowance recognised in the period may be impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;

35. Risk management objectives and policies (continued)

Credit risk measurement (continued)

b) Loss allowance (continued)

- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during

	Stage 12 month ECL	Stage Lifetime ECL	Stage 3 Lifetime ECL	**2019 Total**	**2018 Total**
Loss allowance as at 1 January	2,539	-	-	2,539	2,490
Movements with the statement of income impact					
Transfers:					
Transfer from stage 1 to stage 2	-	-	-	-	-
Transfer from stage 1 to stage 3	-	-	-	-	-
Transfer from stage 2 to stage 1	-	-	-	-	-
New financial assets originated or purchased	280	-	-	280	224
Net remeasurement of loss allowance	-	-	-	-	-
Financial assets derecognised during the year	(175)	-	-	(175)	(175)
Write-offs	-	-	-	-	-
Total loss allowance for the year	56	-	-	56	49
Loss allowance as at 31 December	**2,644**	-	-	**2,644**	**2,539**

a) **Credit risk**

The analysis of the credit ratings of the investment portfolio (IFRS 9) is as follows:	***2019***	***2018***
Moody's' equivalent (B2)	**16,195**	16,716
Non-graded investments	**20,420**	16,759
	36,615	33,475

(c) 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			
	0 to 1 month	**1 to 3 months**	**3 to 12 months**	**Total**
Year ended 31 December 2019				
Payables arising from reinsurance arrangements	11,590	994	832	13,416
Other payables	4,733	-	-	4,733
	16,323	994	832	18,149
Year ended 31 December 2018	month	months	months	Total
Payables arising from reinsurance arrangements	7,933	994	832	9,759
Other payables	5,639	-	-	5,639
	13,572	994	832	15,398

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

35. Risk management objectives and policies (continued)

(c) Liquidity risk (continued)

Year ended 31 December 2019	**Company**			
Payables arising from reinsurance arrangements	5,162	994	832	12,764
Other payables	3,147	-	-	1,837
	8,309	994	832	14,601

Year ended 31 December 2018				
Payables arising from reinsurance arrangements	5,162	994	832	6,988
Other payables	3,147	-	-	3,147
	8,309	994	832	10,135

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.

36 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The principal or the most advantageous market must be accessible to by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

Determination of fair value and fair value hierarchy
The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Determination of fair value and fair value hierarchy

As at 31 December 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through other comprehensive income – Quoted securities	6,021	-	-	6,021
Financial assets at fair value through other comprehensive income – Unquoted	-	-	1,233	1,233
Total	6,021	-	1,233	7,254

As at 31 December 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through other comprehensive income – Quoted securities	5,692	-	-	5,692
Financial assets at fair value through other comprehensive income – Unquoted	-	-	3,239	3,239
Total	5,692	-	3,239	8,930

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

36 Fair value of financial instruments (continued)

For financial instruments that are recognised at fair value on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

During the year ended 31 December 2019, there were no transfers between the levels of fair value hierarchies during the year.

The fair value decrease of Tzs 167 million (2018: decrease of 174 million) in respect of FVOCI equity investments was recorded in statement of other comprehensive income.

Unquoted investment are valued based on the net asset value of latest available financial statement. An increase or decrease of 100 basis points in pricing of investment would result in a loss or gain for the year of Tzs 9 million.

37. 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 shareholders and benefits for other stakeholders, and

The Insurance Act,2009 requires the following:

- issued and fully paid up share capital must be Tzs 1,968,580,908 and
- a solvency margin (admitted assets less admitted liabilities) of 20% of Net Premium or One Thousand Thirty Two Million Eight Hundred and Ninety Seven Thousand Three Hundred and Ninety Shillings, whichever is higher.

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

38. Movement in revaluation reserve

	2019 Group	2018 Group	2019 Company	2018 Company
Property and equipment - Buildings	580	487	285	169
Available-for-sale financial assets	4,832	5,030	1,595	1,793
Total revaluation reserve	5,412	5,517	1,880	1,962
Property and equipment- Buildings				
At start of year	487	525	169	184
Revaluation surplus/(charge) (net)	187	-	187	-
Deferred tax on (gain)/charge (net)	(56)	-	(56)	-
Depreciation charge on revaluation part of property	(54)	(54)	(22)	(22)
Reversal of deferred tax charge on gain on revaluation of prop	16	16	7	7
At end of year	580	487	285	169
Financial assets				
At start of year	5,030	5,192	1,793	1,927
Fair value gain/(charge)	(167)	(174)	(167)	(134)
Sale of UTT Shares	(81)		(81)	-
Deferred tax on (gain)/charge	50	12	50	-
At end of year	4,832	5,030	1,595	1,793

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

39. 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.

40. Events after the balance sheet date - Impact of COVID 19

As a result of the pandemic outbreak, directors are continuously assessing the impact of COVID 19 on the company's strategies together with internal policies for managing principal risks and as on the date of this report, they are confident that the outbreak has no material quantitative (or financial) or qualitative impact on the entity's finance and operations activities.

41. Group Companies

The financial statements for the following Company companies are included in consolidated financial statements:

- Alliance Life Assurance Limited, Tanzania
- Dar es Salaam Properties Limited, Tanzania
- Alliance Africa General Insurance Limited, Uganda (Foreign subsidiary)
- Union Insurance Brokers Limited, Rwanda (Foreign subsidiary)

42. Presentation Currency

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

Alliance Insurance Corporation Limited
Consolidated life assurance business revenue account
For the year ended 31st December 2019
(All amounts in Tzs. 'millions' unless otherwise stated)

Consolidated life assurance business revenue account 2019

	Ordinary Life Business	Group Life Business	Total 2019	Total 2018
Gross earned premium	310	14,745	15,055	12,176
Reinsurance premium ceded	(81)	(5,134)	(5,215)	(4,809)
Net earned premium	229	9,611	9,840	7,367
Investment income	19	885	904	1,011
Other Income	16	770	786	230
Total Income	264	11,266	11,530	8,608
Policy holders' benefit:				
Life and health claims	156	7,400	7,556	5,943
Change in actuarial value of policyholder benefits	36	1,692	1,728	(508)
Less: amounts recoverable from reinsurers	(82)	(5,171)	(5,253)	(2,243)
Net claims and policyholder benefits payable	110	3,921	4,031	3,192
Operating and other expenses	63	3,008	3,071	2,540
Commissions expense	61	3,879	3,940	2,600
Total expenses	234	10,808	11,042	8,332
Net profit before tax – life business	30	458	488	276
Tax charge	(14)	(210)	(224)	(259)
Life business profit after tax	16	248	264	17
Policyholders				
- actuarial liabilities	166	7,044	7,210	4,945

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

Company General insurance business revenue account 2019

	Fire Tzs.' Millions	Motor Tzs.' Millions	Marine Tzs.' Millions	Misc. Tzs.' Millions	Engineering Tzs.' Millions	Health Tzs.' Millions	Comoros Tzs.' Millions	Total 2019 Tzs.' Millions	Total 2018 Tzs.' Millions
Gross written Premium	15,299	36,766	5,628	9,827	2,029	1,898	202	71,649	64,337
Reinsurance premium ceded	(12,836)	(5,360)	(3,037)	(8,102)	(1,193)	-	(59)	(30,587)	(29,076)
Net written premium	**2,463**	**31,406**	**2,591**	**1,725**	**836**	**1,898**	**143**	**41,062**	**35,261**
Change in UPR	58	(1,159)	(85)	(593)	-	-	170	(1,609)	(1,062)
Net Earned Premium	**2,521**	**30,247**	**2,506**	**1,132**	**836**	**1,898**	**313**	**39,453**	**34,199**
Gross Claims paid	(5,914)	(14,597)	(2,175)	(1,740)	(2,327)	(1,817)	(972)	(29,542)	(31,086)
Change in gross claim	(1,390)	(752)	2,206	256	2,029	32	(13)	2,368	4,115
Less: Reinsurance recoverable	6,092	1,908	(934)	1,047	(329)	-	572	8,356	9,318
Incurred Claims	**(1,212)**	**(13,441)**	**(903)**	**(437)**	**(627)**	**(1,785)**	**(413)**	**(18,818)**	**(17,653)**
Commission income	3,013	787	167	1,304	323	-	14	5,608	5,552
Commission expense	(4,106)	(4,789)	(1,012)	(2,073)	(427)	-	(4)	(12,410)	(10,134)
Expenses of Management	(2,026)	(4,868)	(745)	(1,301)	(269)	(251)	(432)	(9,892)	(8,480)
Total Expenses	**(4,331)**	**(22,311)**	**(2,493)**	**(2,507)**	**(1,000)**	**(2,036)**	**(835)**	**(35,512)**	**(30,715)**
Underwriting (loss)/profit 2019	**(1,810)**	**7,936**	**13**	**(1,375)**	**(164)**	**(138)**	**(522)**	**3,941**	**3,484**
Underwriting (loss)/profit 2018	**846**	**1,556**	**507**	**337**	**176**	**219**	**(158)**	**3,484**	**3,484**
Loss ratio(net claims incurred/net earned premium)	**48%**	**44%**	**36%**	**39%**	**75%**	**94%**	**132%**	**48%**	**52%**
Commission ratio(commission payable/ gross premium written)	**27%**	**13%**	**18%**	**21%**	**21%**	**0%**	**2%**	**17%**	**16%**
Expense ratio(management expenses/gross written premium)	**13%**	**13%**	**13%**	**13%**	**13%**	**13%**	**214%**	**14%**	**13%**

Company life assurance business revenue account 2019

	Ordinary Life Business	Group Life Business	Total 2019	Total 2018
Gross earned premium	-	-	-	-
Reinsurance premium ceded	-	-	-	-
Net earned premium	-	-	-	-
Investment income	-	-	-	-
Other Income	-	-	-	-
Total Income	-	-	-	-
Policy holders' benefit:				
Life and health claims	-	-	-	-
Change in actuarial value of policyholder benefits	-	-	-	-
Less: amounts recoverable from reinsurers	-	-	-	-
Net claims and policyholder benefits payable	-	-	-	-
Operating and other expenses	-	-	-	-
Commissions expense	-	-	-	-
Total expenses	-	-	-	-
Net profit before tax – life business	-	-	-	-
Tax charge	-	-	-	-
Life business profit after tax	-	-	-	-
Policyholders				
- actuarial liabilities	-	89	89	89