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ALLIANCE INSURANCE CORPORATION LIMITED

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2017

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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
	Ms. Kanjari Ramji	Finance Controller/Company Secretary
	Mr. Sunder B. Nayak	General Manager Technical
	Mr. Gustaph Dimoso	Manager - Underwriting
	Mr. Rajeev Deshpande	General Manager Operations
	Mr. Murly Krishnan	Director National, Comoros

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BRANCH NETWORK

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Telephone: + 255 22 2293000

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

Dar es Salaam Properties Limited
5th Floor, Exim Tower, Ghana Avenue
P.O. Box 2763, Dar es Salaam

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

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

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

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

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

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

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

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and the Group as at 31 December 2017 and of its operating results for the year then ended. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the financial statements, as well as adequate systems of internal control.

The external auditors are responsible for independently reviewing and reporting on the Company's and Group's annual report and financial statements. The annual report and financial statements have been examined by the company's external auditors and their report is presented on pages 9 to 10.

The directors have reviewed the Company's cash flow forecast for the year to 31 December 2018 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 March 14, 2018 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, ______________________________________ 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 2017 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: ……………………………………………………………

Position: ………………………………………………………………

NBAA membership no.: ………………………………………

Date: ....

AUDITORS' REPORT

TO THE MEMBERS OF ALLIANCE INSURANCE CORPORATION LIMITED

Opinion

We have audited the accompanying consolidated financial statements of Alliance Insurance Corporation Limited (the Company) and its subsidiaries (together, the Group which consist of M/s. Alliance Life Assurance Limited, M/s. Dar es Salaam Properties Limited and Alliance Africa General Insurance Limited), as set out on pages 11 to 56 which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2017 and of its total comprehensive income after tax of Tzs. 4,478 (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.

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.

Report on other legal requirements

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

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

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

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

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

Dar es Salaam
Date: March 14, 2018

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

	Note	2017 TZS. Millions	2016 TZS. Millions
Gross earned premiums	1	72,149	75,028
Less: premiums ceded out to reinsurers	2	(31,251)	(35,913)
Net earned premiums		40,898	39,115
Rental income		166	252
Investment income	3	8,904	5,470
Commission earned	4	6,326	5,502
Other income	5	13	19
Net income		**56,307**	**50,358**
Claims and policy holders benefits payable	6	34,688	27,930
Less: amounts recoverable from reinsurers	6	(14,938)	(8,776)
Net claims payable		19,750	19,154
Operating and other expenses		14,712	12,664
Commission expenses	9	11,938	10,843
Total expenses		**46,400**	**42,661**
Profit before tax	7	9,907	7,697
Tax charge	10	(2,306)	(1,860)
Profit for the year		**7,601**	**5,837**
Profit for the year attributable to:			
Owners of the parent		7,361	5,336
Non-controlling interest		240	501
Profit for the year		**7,601**	**5,837**
Other comprehensive Income			
Fair value gain/(loss) on available-for-sale financial assets	36	(3,079)	(1,916)
Deferred tax credit/(charge) on fair value gain on available-for-sale financial assets	36	(6)	9
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		**(3,123)**	**(1,945)**
Total comprehensive income for the year		**4,478**	**3,892**
Total comprehensive income for the year			
Attributable to:			
Owners of the parent		4,238	3,391
Non-controlling interest		240	501
Total comprehensive income for the year		**4,478**	**3,892**
Dividend:			
Proposed and paid during the year - Interim	12	-	2,105
Proposed for the year - Final	12	4,000	1,871
Earning per share			
Basic (Tzs. in '000) - Restated	11	33.05	29.19

The significant accounting policies on pages 18 to 33 and the notes on pages 34 to 56 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	2017 TZS. Millions	2016 TZS. Millions
Gross earned premiums	1	59,112	62,664
Less: premiums ceded out to reinsurers	2	(27,327)	(31,276)
Net earned premiums		31,785	31,388
Investment income	3	7,551	5,933
Commission earned	4	5,406	4,737
Other income	5	13	16
Net income		**44,755**	**42,074**
Claims and policy holders benefits payable	6	28,231	23,408
Less: amounts recoverable from reinsurers	6	(11,687)	(6,457)
Net claims payable		16,544	16,951
Operating and other expenses		10,131	8,777
Commission expenses	9	9,403	8,759
Total expenses		**36,078**	**34,487**
Profit before tax	7	8,677	7,587
Tax charge	10	(1,944)	(1,583)
Profit for the year		**6,733**	**6,004**
Other comprehensive Income			
Fair value gain/(loss) on available-for-sale financial assets	36	(3,721)	(1,886)
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		**(3,736)**	**(1,901)**
Total comprehensive income for the year		**2,997**	**4,103**
Dividend:			
Proposed and paid during the year - Interim	12	-	2,105
Proposed for the year - Final	12	4,000	1,871
Earning per share			
Basic (Tzs. in '000) - Restated		29.27	30.02

The significant accounting policies on pages 18 to 33 and the notes on pages 34 to 56 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	2017 TZS. Millions	2016 TZS. Millions
CAPITAL EMPLOYED			
Share capital	13	11,500	10,000
Capital reserve	14	1	1
Contingency reserve	14	10,626	8,699
Revaluation reserve	36	5,718	8,841
Retained earnings	16	7,501	5,388
Equity attributable to the owners of the parent		35,346	32,929
Non-controlling interest		2,123	1,901
Total equity		**37,469**	**34,830**
REPRESENTED BY			
Assets			
Property & equipment	18	4,810	5,217
Intangible assets	19	93	23
Investment in property		1,473	1,473
Financial assets	21	57,393	48,504
Reinsurance arrangement debtors		2,781	3,534
Receivables arising out of direct insurance arrangements	22	14,041	22,345
Reinsurers' share of insurance contract liabilities	23	29,704	24,702
Deferred acquisition costs	24	2,131	2,013
Other receivables	25	910	926
Tax recoverable		172	89
Cash and cash equivalents	26(a)	5,687	1,935
Branch preliminary expenses		137	137
Total assets		**119,332**	**110,898**
Liabilities			
Insurance contract liabilities	17	42,317	36,041
Provisions for unearned premium and unexpired risks	27	24,989	24,719
Reinsurance arrangement creditors		8,185	7,680
Deferred tax liabilities	20	44	324
Bank overdraft	26(b)	670	819
Other payables	28	5,658	6,485
Total liabilities		**81,863**	**76,068**
Total net assets		**37,469**	**34,830**

The financial statements on pages 11 to 56 were authorised and approved for issue by the board of directors on March 14, 2018 and signed on its behalf by:

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

The significant accounting policies on pages 18 to 33 and the notes on pages 34 to 56 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	2017 TZS. Millions	2016 TZS. Millions
CAPITAL EMPLOYED			
Share capital	13	11,500	10,000
Contingency reserve	14	10,003	8,257
Revaluation reserve	36	7,050	10,786
Retained earnings	16	5,283	3,742
Total equity		**33,836**	**32,785**
REPRESENTED BY			
Assets			
Property & equipment	18	2,611	2,845
Intangible assets	19	92	22
Deferred tax assets	20	7	-
Investment in subsidiaries	29	7,291	7,914
Loan to subsidiary	32(c)	2,841	2,841
Financial assets	21	43,557	36,005
Reinsurance arrangement debtors		2,773	3,353
Receivables arising out of direct insurance arrangements	22	7,919	16,184
Reinsurers' share of insurance contract liabilities	23	25,704	22,182
Deferred acquisition costs	24	1,794	1,808
Other receivables	25	1,160	1,640
Cash and cash equivalents	26(a)	3,922	1,457
Branch preliminary expenses		137	137
Total assets		**99,808**	**96,388**
Liabilities			
Insurance contract liabilities	17	34,437	29,458
Provisions for unearned premium and unexpired risks	27	22,266	23,164
Reinsurance arrangement creditors		5,240	5,440
Bank overdraft	26(b)	249	250
Tax payable		378	326
Deferred tax liabilities	20	-	246
Other payables	28	3,402	4,719
Total liabilities		**65,972**	**63,603**
Total net assets		**33,836**	**32,785**

The financial statements on pages 11 to 56 were authorised and approved for issue by the board of directors on March 14, 2018 and signed on its behalf by:

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

The significant accounting policies on pages 18 to 33 and the notes on pages 34 to 56 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
At 1 January 2016		10,000	1	6,722	10,786	7,505	1,777	**36,791**
Fair value gain/(loss)								
- on available for sale financial assets	36	-	-	-	(1,916)	-	-	**(1,916)**
Deferred tax credit/(charge) on								
-fair value gain on available for-sale financial assets	36	-	-	-	9	-	-	**9**
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		-	-	-	-	5,336	501	**5,837**
Issue of shares by subsidiary		-	-	-	-	-	390	**390**
Transfer to contingency reserve								
- general business	14	-	-	1,921	-	(1,921)	-	**-**
- long term business	14	-	-	56	-	(39)	(17)	**-**
Transfer to capital reserve		-	-	-	-	-	-	**-**
Dividends								
- final paid for 2015		-	-	-	-	(3,158)	-	**(3,158)**
- interim paid for 2016	12	-	-	-	-	(2,105)	-	**(2,105)**
Dividend paid by subsidiary		-	-	-	-	-	(750)	**(750)**
Exchange loss on consolidation		-	-	-	-	(230)	-	**(230)**
At 31 December 2016		**10,000**	**1**	**8,699**	**8,841**	**5,388**	**1,901**	**34,830**
At 1 January 2017		10,000	1	8,699	8,841	5,388	1,901	**34,830**
Fair value gain/(loss)								
- on available for sale financial assets	36	-	-	-	(3,079)	-	-	**(3,079)**
Deferred tax credit/(charge) on								
-fair value gain on available for-sale financial assets	36	-	-	-	(6)	-	-	**(6)**
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		-	-	-	-	7,361	240	**7,601**
Issue of bonus shares		1,500	-	-	-	(1,500)	-	**-**
Withholding tax paid on bonus issue		-	-	-	-	(75)	-	**(75)**
Transfer to contingency reserve								
- general business	14	-	-	1,867	-	(1,867)	-	**-**
- long term business	14	-	-	60	-	(42)	(18)	**-**
Transfer to capital reserve		-	-	-	-	-	-	**-**
Dividends								
- final paid for 2016	12	-	-	-	-	(1,871)	-	**(1,871)**
Exchange gain on consolidation		-	-	-	-	107	-	**107**
At 31 December 2017		**11,500**	**1**	**10,626**	**5,718**	**7,501**	**2,123**	**37,469**

The significant accounting policies on pages 18 to 33 and the notes on pages 34 to 56 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
At 1 January 2016		10,000	6,409	12,687	4,849	**33,945**
Fair value gain/(loss)						
- on available for sale financial assets	36	-	-	(1,886)	-	**(1,886)**
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		-	-	-	6,004	**6,004**
Transfer to contingency reserve						
- general business	14	-	1,848	-	(1,848)	**-**
- long term business	14	-	-	-	-	**-**
Dividends						
- final paid for 2015	12	-	-	-	(3,158)	**(3,158)**
- interim paid for 2016	12	-	-	-	(2,105)	**(2,105)**
At 31 December 2016		**10,000**	**8,257**	**10,786**	**3,742**	**32,785**
At 1 January 2017		10,000	8,257	10,786	3,742	**32,785**
Fair value gain/(loss)						
- on available for sale financial assets	36	-	-	(3,721)	-	**(3,721)**
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		-	-	-	6,733	**6,733**
Issue of bonus shares		1,500	-	-	(1,500)	**-**
Withholding tax paid on bonus issue		-	-	-	(75)	**(75)**
Transfer to contingency reserve						
- general business	14	-	1,746	-	(1,746)	**-**
- long term business	14	-	-	-	-	**-**
Dividends						
- final paid for 2016	12	-	-	-	(1,871)	**(1,871)**
At 31 December 2017		**11,500**	**10,003**	**7,050**	**5,283**	**33,836**

The significant accounting policies on pages 18 to 33 and the notes on pages 34 to 56 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	**2017 TZS. Millions**	**2016 TZS. Millions**	**2017 TZS. Millions**	**2016 TZS. Millions**
Operating activities					
Cash generated from/(used in) operations	31	11,815	11,432	9,954	9,115
Interest paid		-	-	-	-
Tax paid		(2,659)	(2,708)	(2,138)	(2,345)
Net cash generated from/(used in) operations		**9,156**	**8,724**	**7,816**	**6,770**
Investing activities					
Purchase of property & equipment	18	(235)	(981)	(188)	(928)
Purchase of intangible assets	19	(117)	-	(117)	-
Purchase of financial assets	21	(32,278)	(29,473)	(20,214)	(19,039)
Purchase of shares in subsidiary	29	-	-	-	(1,454)
Proceeds from disposal of financial assets	21	21,831	23,273	10,539	14,632
Proceeds from disposal of property & equipment		-	2	-	2
Proceeds from disposal of quoted shares		3,442	647	3,409	645
Interest received		3,149	2,407	2,394	1,828
Dividend received		383	425	383	2,175
Net cash generated from/(used in) investing activities		**(3,825)**	**(3,700)**	**(3,794)**	**(2,139)**
Financing activities					
Withholding tax paid on bonus issue		(75)	-	(75)	-
Proceeds from issue of shares in subsidiary company		-	390	-	-
Dividend paid by subsidiary		-	(750)	-	-
Loan (to) from subsidiary		-	-	-	362
Dividend paid - ordinary shareholders	12	(1,871)	(5,263)	(1,871)	(5,263)
Branch preliminary expenses		-	546	-	546
Net cash generated from/(used in) financing activities		**(1,946)**	**(5,077)**	**(1,946)**	**(4,355)**
Increase/(decrease) in cash and cash equivalents		**3,385**	**(53)**	**2,076**	**276**
Movement in cash and cash equivalents					
As at 1 January		1,116	1,049	1,207	708
Increase/(decrease) in cash and cash equivalents		3,385	(53)	2,076	276
Effect of exchange rates changes on cash and cash equivalents		409	350	390	223
Exchange gain (loss) on consolidation		107	(230)	-	-
As at 31 December	26(a)	**5,017**	**1,116**	**3,673**	**1,207**

The significant accounting policies on pages 18 to 33 and the notes on pages 34 to 56 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 company started commercial operations from 1 July 2010 and these consolidated financial statements include the results of this subsidiary for year ended 31 December 2017.

In year 2011, Alliance Insurance Corporation Limited became 99% shareholders of Dar-es-Salaam Properties Limited which was initially an associate with 45% of the shareholdings. Dar-es-Salaam Properties Limited was incorporated on 23 August 2010 as an associate and the company's principal activity is leasing out residential furnished apartments. These consolidated financial statements include the results of this subsidiary for the year ended 31 December 2017.

In year 2013, the company promoted and incorporated a new company, Alliance Africa General Insurance Limited ("foreign subsidiary") in Uganda with 99% shareholding for transacting general insurance business. The foreign subsidiary commenced operations from December 2014. These consolidated financial statements include the results for this new subsidiary for the year ended 31 December 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

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

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

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

Amendments to IFRS 12: Annual Improvements to IFRS 2014 - 2016 cycle

The amendment to IFRS 12 Disclosures of Interests in Other Entities now provides that if an investment in a subsidiary, associate or joint venture is part of a disposal group that is held for sale, then the disclosure of summary information as per paragraph B10 - B16 of IFRS 12 is not required. IFRS 12 previously only made the exemption for circumstances where the investment itself was classified as held for sale.

The effective date of the amendment is for years beginning on or after January 1, 2017.
The company has adopted the amendment for the first time in the 2017 financial statements.
The impact of the amendment is not material.

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

Amendments to IAS 7: Disclosure initiative

The amendment requires entities to provide additional disclosures for changes in liabilities arising from financing activities. Specifically, entities are now required to provide disclosure of the following changes in liabilities arising from financing activities:

- changes from financing cash flows;
- changes arising from obtaining or losing control of subsidiaries or other businesses;
- the effect of changes in foreign exchanges;
- changes in fair values; and
- other changes.

The effective date of the amendment is for years beginning on or after January 1, 2017.
The company has adopted the amendment for the first time in the 2017 financial statements.
The amendment has resulted into enhanced disclosure requirements.

Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses

In terms of IAS 12 Income Taxes, deferred tax assets are recognised only when it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. The following amendments have been made, which may have an impact on the company:

If tax law restricts the utilisation of losses to deductions against income of a specific type, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type.

Additional guidelines were prescribed for evaluating whether the company will have sufficient taxable profit in future periods. The company is required to compare the deductible temporary differences with future taxable profit that excludes tax deductions resulting from the reversal of those deductible temporary differences. This comparison shows the extent to which the future taxable profit is sufficient for the entity to deduct the amounts resulting from the reversal of those deductible temporary differences.

The amendment also provides that the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.

The effective date of the amendment is for years beginning on or after January 1, 2017.
The company has adopted the amendment for the first time in the 2017 financial statements.
The impact of the amendment is not material.

(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, 2017

(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, 2018 or later periods:

IFRS 17: Insurance contracts

IFRS 17 replaces IFRS 4, which was brought in as an interim standard in 2004. IFRS 4 has given entities dispensation to carry on accounting for insurance contracts using their existing accounting practices, resulting in a multitude of different approaches. As a consequence, it is difficult for investors to compare and contrast the financial performance of otherwise similar entities.

IFRS 17 solves the comparison problems under IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance entities. In addition, increased transparency about the profitability of new and in - force business will give users more insight into an insurer's financial health. Separate presentation of underwriting and finance results will provide added transparency about the sources of profits and quality of earnings. Premium volumes that will no longer drive the 'top line' as investment components and cash received are no longer considered to be revenue. Accounting for options and guarantees will be more consistent and transparent.

(iii) Standards and interpretations not yet effective (continued)

IFRS 17: Insurance contracts (continued)

This standard is effective for annual reporting periods beginning on or after 1 January 2021. Earlier application is permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied.

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.

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 expects to adopt the interpretation for the first time in the 2019 financial statements.
The impact of this interpretation is currently being assessed.

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:

Company 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 lease.
- 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.

(iii) Standards and interpretations not yet effective (continued)

IFRS 16: Leases (continued)

- 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.

Company 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 expects to adopt the standard for the first time in the 2019 financial statements.
The impact of this standard is currently being assessed.

Amendments to IAS 28: Annual Improvements to IFRS 2014 - 2016 cycle

An entity such as a venture capital organisation, mutual fund or similar institution may elect to measure investments in associates or joint ventures at fair value through profit or loss in accordance with IFRS 9 rather than by applying the equity method. The amendment to IAS 28 Investments in Associates and Joint Ventures now specifies that the election must be made separately per associate or joint venture and at the time of initial recognition of such investment.

Further, if an entity is not an investment entity, but has interests in an associate or joint venture which is an investment entity, then the entity may retain the fair value measurement of the associate or joint venture. The amendment now provides that such election must be made separately for each investment entity associate or joint venture.

The effective date of the amendment is for years beginning on or after January 1, 2018.
The company expects to adopt the amendment for the first time in the 2018 financial statements.
It is unlikely that the amendment will have a material impact on the company's financial statements.

(iii) Standards and interpretations not yet effective (continued)

Amendments to IFRS 1: Annual Improvements to IFRS 2014 - 2016 cycle

The amendment to IFRS 1 First Time Adoption of International Financial Reporting Standards deleted certain short term exemptions concerning disclosures of financial assets, employee benefits and investment entities from IFRS 1.

The effective date of the amendment is for years beginning on or after January 1, 2018.
The company expects to adopt the amendment for the first time in the 2018 financial statements.
It is unlikely that the amendment will have a material impact on the company's financial statements.

Amendments to IAS 40: Transfers of Investment Property

The amendment deals specifically with circumstances under which property must be transferred to or from investment property. The amendment now requires that a change in use of property only occurs when the property first meets, or ceases to meet, the definition of investment property and that there is evidence of a change in use. The amendment specifies that a change in management's intentions for use of the property, do not, in isolation, provide evidence of a change in use.

The effective date of the amendment is for years beginning on or after January 1, 2018.
The company expects to adopt the amendment for the first time in the 2018 financial statements.
It is unlikely that the amendment will have a material impact on the company's financial statements.

Foreign Currency Transactions and Advance Consideration

The interpretation applies to circumstances when an entity has either paid or received an amount of consideration in advance and in a foreign currency, resulting in a non-monetary asset or liability being recognised. The specific issue addressed by the interpretation is how to determine the date of the transaction for the purposes of determining the exchange rate to use on the initial recognition of the related asset, expense or income when the non-monetary asset or liability is derecognised. The interpretation specifies that the date of the transaction, for purposes of determining the exchange rate to apply, is the date on which the entity initially recognises the non-monetary asset or liability.

The effective date of the interpretation is for years beginning on or after January 1, 2018.
The company expects to adopt the interpretation for the first time in the 2018 financial statements.
It is unlikely that the interpretation will have a material impact on the company's financial statements.

Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers

The amendment provides clarification and further guidance regarding certain issues in IFRS 15. These items include guidance in assessing whether promises to transfer goods or services are separately identifiable; guidance regarding agent versus principal considerations; and guidance regarding licenses and royalties.

The effective date of the amendment is for years beginning on or after January 1, 2018.
The company expects to adopt the amendment for the first time in the 2018 financial statements.
The impact of this standard is currently being assessed.

IFRS 9: Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurements of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a)impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

(iii) Standards and interpretations not yet effective (continued)

IFRS 9: Financial Instruments (continued)

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the outstanding principal are generally measured at amortised cost at the end of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on outstanding principal, are measured at FVTOCI. All other debt and equity investments are measured at fair value at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of the liability is presented in other comprehensive income, unless the recognition of the effect of the changes of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Under IAS 39, the entire amount of the change in fair value of a financial liability designated as at fair value through profit or loss is presented in profit or loss.
- 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 expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. It is therefore no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principal of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The effective date of the standard is for years beginning on or after January 1, 2018.
The company expects to adopt the standard for the first time in the 2018 financial statements.
The impact of this standard is currently being assessed.

IFRS 15: Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction contracts; IAS 18 Revenue; IFRIC 13 Customer Loyalty Programmes; IFRIC 15 Agreements for the construction of Real Estate; IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue - Barter Transactions Involving Advertising Services.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also includes extensive new disclosure requirements.

The effective date of the standard is for years beginning on or after January 1, 2018.
The company expects to adopt the standard for the first time in the 2018 financial statements.
The impact of this standard is currently being assessed.

(b) Consolidation policy

(i) Investment in Subsidiaries

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

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

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

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

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

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

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

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

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

- Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(b) Consolidation policy (continued)

(i) Investment in Subsidiaries (continued)

- Disposal of subsidiaries

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

(ii) Investment in associates

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

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

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

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

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

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

(iii) Functional currency and translation of foreign currencies

Functional and presentation currency

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

Transactions and balances

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

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

(c) Critical accounting estimates and assumptions

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

(i) Provision for unearned premium

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

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

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

(d) Critical accounting judgments

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

(i) Government securities

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

(ii) Quoted and unquoted shares

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

(iii) Non-financial assets

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

(iv) Deferred acquisition costs

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

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

(e) Underwriting results

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

(e) Underwriting results (continued)

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.

Life assurance business

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

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

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

(iv) **Long term liabilities**

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

(f) Commission received

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

(g) Liability adequacy test

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

(h) Salvage and subrogation reimbursements

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

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

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

(i) Reinsurance arrangements

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

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

(j) Translation of foreign currencies

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

(k) Property and equipment

All property and equipment is initially recorded at cost and thereafter stated at historical cost less depreciation. Historical cost comprises expenditure initially incurred to bring the asset to its location and condition ready for its intended use.

(k) Property and equipment (continued)

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 instruments

Financial assets

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

(m) Financial instruments (continued)

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

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

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

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

This category has two sub-categories:

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

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

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

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

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

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

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

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

(m) Financial instruments (continued)

Impairment of financial assets

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

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

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

Management classifies financial assets as follows:

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

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

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

Financial liabilities

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

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

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

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

Offsetting financial instruments

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

(n) Investment and dividend income

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

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

(o) Accounting for leases

A group entity as a lessee

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

A group entity as a lessor

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

Leased assets are recorded at historical cost less depreciation.

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

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

(p) Employee entitlements

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

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

(q) Taxation

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

Current tax

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

Deferred tax

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

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

(r) Cash and cash equivalents

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

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

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

(s) Retirement benefit obligations

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

(t) Share capital

Ordinary shares are classified as equity.

(u) Dividends

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

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

(v) Comparatives

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

1. Gross earned premiums

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

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

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

	Group	
General insurance business	**2017 Gross earned premium**	**2016 Gross earned premium**
Fire	14,256	15,500
Motor	28,189	32,003
Marine	5,166	4,955
Miscellaneous	9,767	11,169
Engineering	2,476	1,848
Health	1,832	-
Comoros operations	1,018	1,174
Gross written premium	62,704	66,649
Less: Movement in unearned premium	(270)	(764)
Gross earned premium	**62,434**	**65,885**
Life assurance business		
Ordinary life	366	395
Group life	9,349	8,748
	9,715	**9,143**
Total	**72,149**	**75,028**

	Company	
General insurance business	**2017 Gross earned premium**	**2016 Gross earned premium**
Fire	13,179	14,887
Motor	26,894	30,427
Marine	4,744	4,608
Miscellaneous	8,558	10,292
Engineering	1,989	1,399
Health	1,832	-
Comoros operations	1,018	1,174
Gross written premium	58,214	62,787
Less: Movement in unearned premium	898	(123)
Gross earned premium	**59,112**	**62,664**

2. Premiums ceded out to reinsurers

	Group	
	2017	2016
	Net Reinsurance premiums	Net Reinsurance premiums
General insurance business		
Fire	11,028	12,426
Motor	3,765	5,307
Marine	2,904	3,050
Miscellaneous	8,068	9,089
Engineering	1,685	1,049
Health	-	-
Comoros operations	396	386
Gross ceded premium	27,846	31,307
Less: Movement in reinsurer's portion of unearned premium	(332)	1,094
Net reinsurance premium	27,514	32,401
Life assurance business		
Ordinary life	-	-
Group life	3,737	3,512
	3,737	3,512
Total	**31,251**	**35,913**

	Company	
	2017	2016
	Net Reinsurance premium	Net Reinsurance premium
General insurance business		
Fire	10,339	11,999
Motor	4,707	5,228
Marine	2,780	2,910
Miscellaneous	7,499	8,701
Engineering	1,352	755
Health	-	-
Comoros operations	396	386
Gross ceded premium	27,073	29,979
Less: Movement in reinsurer's portion of unearned premium	254	1,297
Net reinsurance premium	**27,327**	**31,276**

3. Investment income

	2017 Group	2016 Group	2017 Company	2016 Company
Interest from government securities:				
- ‘held-to-maturity’	3,071	2,498	2,862	2,283
Interests from fixed deposits				
- ‘held-to-maturity’	1,790	1,630	523	465
Interest on loan to subsidiary	-	-	142	220
Dividends income:				
- ‘available - from - sale’	383	425	383	2,175
Gain on disposal of shares	3,251	567	3,251	567
Net foreign exchange gains	409	350	390	223
	8,904	**5,470**	**7,551**	**5,933**

	2017 Group	2016 Group	2017 Company	2016 Company
4. Commission received				
Gross commissions received	6,341	5,548	5,406	4,737
Movement in deferred acquisition costs	(15)	(46)	-	-
	6,326	**5,502**	**5,406**	**4,737**
5. Other income				
Profit on disposal of property and equipment	-	1	-	1
Release of life fund	-	1	-	1
Others	13	17	13	14
	13	**19**	**13**	**16**

6. Claims and policyholders benefits payable

	Group			
General insurance business	**Gross**	**Reinsurance share**	**2017 Net**	**2016 Net**
Fire	5,316	(3,477)	1,839	1,066
Motor	13,463	(2,167)	11,296	10,018
Marine	1,692	(633)	1,059	969
Miscellaneous	2,404	(1,453)	951	722
Engineering	175	(194)	(19)	103
Health	1,166	-	1,166	-
Comoros operations	529	(407)	122	111
	24,745	(8,331)	16,414	12,989
Change in liabilities				
Change in claims in IBNR Provision	915	(677)	238	786
Change in claims provisions	4,716	(3,478)	1,238	4,022
	5,631	(4,155)	1,476	4,808
Total general insurance business	30,376	(12,486)	17,890	17,797
Life assurance business				
Group life	4,312	(2,452)	1,860	1,357
Total	**34,688**	**(14,938)**	**19,750**	**19,154**

	Company			
General insurance business	**Gross**	**Reinsurance share**	**2017 Net**	**2016 Net**
Fire	5,133	(3,329)	1,804	1,059
Motor	12,864	(2,384)	10,480	9,551
Marine	1,444	(479)	965	936
Miscellaneous	2,038	(1,319)	719	523
Engineering	126	(41)	85	106
Health	1,166	-	1,166	-
Comoros operations	529	(407)	122	111
	23,300	(7,959)	15,341	12,286
Change in liabilities				
Change in claims in IBNR Provision	824	(621)	203	767
Change in claims provisions	4,107	(3,107)	1,000	3,898
	4,931	(3,728)	1,203	4,665
Total general insurance business	28,231	(11,687)	16,544	16,951

6. Claims and policyholder benefits payable (continued)

	Company			
	Gross	Reinsurance share	2017 Net	2016 Net
Life assurance business				
Group life	-	-	-	-
Total	**28,231**	**(11,687)**	**16,544**	**16,951**

7. Profit before tax	2017 Group	2016 Group	2017 Company	2016 Company
The following items have been charged in arriving at operating profit before tax:				
Staff costs (Note 8)	7,167	7,138	4,917	5,131
Auditors' remuneration	91	95	34	33
Depreciation on plant and equipment (Note 18)	588	470	400	288
Amortisation (Note 19)	47	8	47	8
Net foreign exchange loss/(gain)	(409)	(350)	(390)	(223)

8. Staff costs

Staff costs include the following:				
Salaries and wages	5,729	5,566	3,970	4,008
Social security benefit costs	689	644	522	530
Other staff cost	749	928	425	593
	7,167	**7,138**	**4,917**	**5,131**

9. Commission expenses

Gross commission expenses	12,071	11,344	9,389	9,126
Movement in deferred acquisition costs	(133)	(501)	14	(367)
	11,938	**10,843**	**9,403**	**8,759**

10. Tax charge

Current income tax	2,540	2,218	2,171	1,896
Final withholding tax on dividend income	36	109	19	109
Deferred tax charge/(credit) (Note 20)	(270)	(467)	(246)	(422)
	2,306	**1,860**	**1,944**	**1,583**
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	9,907	7,697	8,677	7,587
Less: Profit from Long Term Business	-	(1)	-	(1)
Profit as restated for effective tax charge	9,907	7,696	8,677	7,586
Tax calculated at a tax rate of 30% (2016: 30%)	2,972	2,309	2,603	2,276
Tax effect of:				
- tax effect of income not subject to tax	(4,479)	(3,784)	(1,379)	(1,388)
- expenses not deductible for tax purposes	3,797	3,383	720	743
- Prior year tax charge	16	-	-	-
Foreign tax relief	-	(48)	-	(48)
Tax charge	**2,306**	**1,860**	**1,944**	**1,583**

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.

	2017	2016
Profit for the year attributable to equity shareholders (Tzs millions)	7,601	5,837
Weighted average number of ordinary shares	230,000	200,000
Earnings per share- basic (in Tzs)	33,048	29,185

There were potentially no diluted shares outstanding as at 31 December 2017 and 31 December 2016.

12. Dividends

A final dividend of Tzs. 1,871 million was declared and paid to the shareholders for the year 2016 (2015: 3,158 million).

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 2017.

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

The directors propose a final dividend of Tzs. 4 billion for the year ended 31.12.2017 (2016: 1,871 million).

13. Share capital

	2017	2016
Authorised		
1,000,000 (2016: 1,000,000) ordinary shares of Tzs. 50,000 each	50,000	50,000
Issued and fully paid		
230,000 (2016: 200,000) ordinary shares of Tzs. 50,000 each	11,500	10,000

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

On 12th July, 2017, a bonus issue of 30,000 shares was made by capitalising Tzs. 1.5 billion from retained earnings to the shareholders in their existing shareholding ratio.

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

	2017 Group	2016 Group	2017 Company	2016 Company
(i) Long term insurance contracts				
- actuarial value of long term liabilities	3,498	3,115	89	89
- claims reported and claims handling expenses	3,737	3,585	502	502
Total long term	7,235	6,700	591	591
(ii) Short term insurance contracts				
Non-life				
- claims reported and claims handling expenses	29,298	24,480	28,223	24,068
- claims incurred but not reported	5,784	4,861	5,623	4,799
Total non-life	35,082	29,341	33,846	28,867
Total	**42,317**	**36,041**	**34,437**	**29,458**

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 2017, there was no transfer made to the shareholders funds in the year 2017 (2016: 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**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**Total**
At end of Accident Year	38,727	9,098	4,776	8,498	13,318	11,973	11,755	98,145
One year later	40,073	7,864	6,741	9,208	13,536	13,491	-	90,913
Two years later	40,782	7,900	6,116	8,954	14,625	-	-	78,377
Three years later	39,784	7,421	5,954	9,020	-	-	-	62,179
Four years later	40,443	7,223	5,840	-	-	-	-	53,506
Five years later	40,195	7,161	-	-	-	-	-	47,356
Six years later	41,635	-	-	-	-	-	-	41,635
Current estimate of cumulative claims	**41,635**	**7,161**	**5,840**	**9,020**	**14,625**	**13,491**	**11,755**	**103,527**
Less: Cumulative payments to date	(38,244)	(6,692)	(5,540)	(7,057)	(9,533)	(8,345)	-	(75,411)
Liability in the statement of financial position	3,391	469	300	1,963	5,092	5,146	11,755	28,116
Liability in respect of prior years' IBNR	678	94	60	393	1,018	1,029	2,351	5,623
Total Gross Liability included in the statement of financial position	4,069	563	360	2,356	6,110	6,175	14,106	33,739
Comoros Operations	-	-	-	-	-	-	107	107
Total	4,069	563	360	2,356	6,110	6,175	14,213	33,846

17. Insurance contract liabilities (continued)

Short term insurance contracts (continued)

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

			2017	2016
General insurance business	**Gross**	**Reinsurance**	**Net**	**Net**
Notified claims	24,068	10,319	13,749	9,852
IBNR	4,799	2,064	2,735	1,969
Total at beginning of Year	28,867	12,383	16,484	11,821
Cash paid for claims settled in year	(23,300)	(7,959)	(15,341)	(12,286)
Increase in liabilities:				
- arising from current year claims	26,471	10,985	15,486	18,554
- arising from prior year claims	1,808	750	1,058	(1,605)
Total at end of year	**33,846**	**16,159**	**17,687**	**16,484**
Notified claims	28,223	13,474	14,749	13,749
IBNR	5,623	2,685	2,938	2,735
Total at end of year	**33,846**	**16,159**	**17,687**	**16,484**

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 2016	5,343	139	168	388	468	166	57	381	7,110
Additions	-	-	-	237	599	54	-	91	981
Disposals/write off	-	-	-	-	-	(4)	-	(1)	(5)
At 31 December 2016	**5,343**	**139**	**168**	**625**	**1,067**	**216**	**57**	**471**	**8,086**
At 1 January 2017	5,343	139	168	625	1,067	216	57	471	8,086
Additions	-	-	-	49	112	50	-	24	235
Disposals/write off	-	-	-	-	-	-	-	-	-
At 31 December 2017	**5,343**	**139**	**168**	**674**	**1,179**	**266**	**57**	**495**	**8,321**
Depreciation									
At 1 January 2016	1,197	136	168	179	192	133	35	308	2,349
Charge for the year									
- on cost	227	-	-	101	51	21	7	63	470
- on revaluation	54	-	-	-	-	-	-	-	54
Disposals/write off	-	-	-	-	-	(4)	-	-	(4)
At 31 December 2016	**1,478**	**136**	**168**	**280**	**243**	**150**	**42**	**371**	**2,869**
At 1 January 2017	1,478	136	168	280	243	150	42	371	2,869
Charge for the year									
- on cost	227	3	-	104	168	34	7	45	588
- on revaluation	54	-	-	-	-	-	-	-	54
Disposals/write off	-	-	-	-	-	-	-	-	-
At 31 December 2017	**1,759**	**139**	**168**	**384**	**411**	**184**	**49**	**416**	**3,511**
Net book value									
At 31 December 2016	**3,865**	**3**	**-**	**345**	**824**	**66**	**15**	**100**	**5,217**
At 31 December 2017	**3,584**	**-**	**-**	**290**	**768**	**82**	**8**	**79**	**4,810**

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

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

18. Property and equipment (continued)

	Company						
	Buildings	**Exim Tower Expenses**	**Motor Vehicles**	**Furniture and Fittings**	**Office Equipment**	**Computer Equipment**	**Total**
Cost							
At 1 January 2016	2,477	168	237	223	125	281	3,511
Additions	-	-	214	599	46	69	928
Disposals/write off	-	-	-	-	-	(1)	(1)
At 31 December 2016	**2,477**	**168**	**451**	**822**	**171**	**349**	**4,438**
At 1 January 2017	2,477	168	451	822	171	349	4,438
Additions	-	-	37	91	47	13	188
Disposals/write off	-	-	-	-	-	-	-
At 31 December 2017	**2,477**	**168**	**488**	**913**	**218**	**362**	**4,626**
Depreciation							
At 1 January 2016	564	168	119	108	95	229	1,283
Charge for the year							
- on cost	115	-	73	26	19	55	288
- on revaluation	22	-	-	-	-	-	22
Disposals/write off	-	-	-	-	-	-	-
At 31 December 2016	**701**	**168**	**192**	**134**	**114**	**284**	**1,593**
At 1 January 2017	701	168	192	134	114	284	1,593
Charge for the year							
- on cost	115	-	74	145	30	36	400
- on revaluation	22	-	-	-	-	-	22
Disposals/write off	-	-	-	-	-	-	-
At 31 December 2017	**838**	**168**	**266**	**279**	**144**	**320**	**2,015**
Net book value							
At 31 December 2016	**1,776**	**-**	**259**	**688**	**57**	**65**	**2,845**
At 31 December 2017	**1,639**	**-**	**222**	**634**	**74**	**42**	**2,611**

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

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

19. Intangible assets

	2017 Group	2016 Group	2017 Company	2016 Company
Softwares				
Cost				
At start of year	222	222	214	214
Additions	117	-	117	-
At the end of year	339	222	331	214
Depreciation				
At start of year	199	191	192	184
Charge for the year	47	8	47	8
At end of year	246	199	239	192
Net book value	**93**	**23**	**92**	**22**

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% (2016: 30%). The movement on the deferred tax account is as follows:

	2017 Group	2016 Group	2017 Company	2016 Company
At start of year	324	816	246	675
Income Statement (credit)/charge	(270)	(467)	(246)	(422)
Charge to equity (Revaluation Reserve)	(10)	(25)	(7)	(7)
At end of year	44	324	(7)	246

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 2017	**At start of year**	**Charge/ (Credit) to PLOCI**	**At end of year**
Deferred tax liabilities			
Excess capital allowances	425	(69)	356
Deferred acquisition	543	(4)	539
Unrealised exchange differences	452	(315)	137
	1,420	(388)	1,032
Deferred tax assets			
Provision for staff leave	(13)	-	(13)
Provisions for bad debts	(38)	(14)	(52)
Tax losses carried forward	(248)	199	(49)
Other temporary difference	(797)	(77)	(874)
	(1,096)	108	(988)
Deferred tax liability/(asset)	324	(280)	44

20. Deferred tax (continued)

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

	2017 Group	2016 Group
Deferred tax asset	-	-
Deferred tax liability	44	324
Net deferred tax liability/(asset)	44	324

	Company		
Year ended 31 December 2017	**At start of year**	**Charge/ (Credit) to PLOCI**	**At end of year**
Deferred tax liabilities			
Excess capital allowances	306	(59)	247
Deferred acquisition	543	(4)	539
Unrealised exchange differences	232	(118)	114
	1,081	(181)	900
Deferred tax assets			
Provision for staff leave	(13)	-	(13)
Other temporary differences	(822)	(72)	(894)
	(835)	(72)	(907)
Net deferred tax liability/(asset)	246	(253)	(7)

21. Financial assets

	2017 Group	2016 Group	2017 Company	2016 Company
(i) Government securities – Held-to-maturity				
At start of year	15,130	10,056	13,550	8,696
Additions	4,120	8,495	2,842	7,711
Redemptions/Transfer	(1,115)	(4,492)	-	(3,875)
Accrued interest	1,000	1,071	973	1,018
At end of year	19,135	15,130	17,365	13,550
The maturity analysis of government securities is as follows:				
Treasury bills and bonds maturing:				
Maturing before 1 year	4,318	1,160	3,026	524
Maturing after 1 year but before 5 years	7,907	9,814	7,429	8,870
Maturing after 5 years	6,910	4,156	6,910	4,156
	19,135	15,130	17,365	13,550
(ii) Unquoted shares – Available-for-sale				
At start of year	1,611	1,611	1,611	1,611
Additions	-	-	-	-
Fair value gain/(loss) credited/(charged) to PLOCI	(872)	-	(872)	-
At end of year	739	1,611	739	1,611
(iii) Quoted share –Available-for-sale				
At start of year	10,767	11,851	10,165	11,218
Additions	-	912	-	911
Disposal	(191)	(80)	(158)	(78)
Fair value gain credited to PLOCI	(2,208)	(1,916)	(2,227)	(1,886)
At end of year	8,368	10,767	7,780	10,165

21. Financial assets (continued)

(iv) Fixed deposits – Held-to-maturity	**2017 Group**	**2016 Group**	**2017 Company**	**2016 Company**
At start of year	20,996	19,061	10,679	10,897
Additions	28,159	20,066	17,373	10,417
Redemptions	(20,716)	(18,781)	(10,539)	(10,757)
Accrued interest	712	650	160	122
At end of year	29,151	20,996	17,673	10,679
Total financial assets	**57,393**	**48,504**	**43,557**	**36,005**

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

	2017 Group	**2016 Group**	**2017 Company**	**2016 Company**
Tanzania Shillings	39,746	35,556	29,026	26,018
US Dollars	17,647	12,948	14,531	9,987
	57,393	**48,504**	**43,557**	**36,005**

22. Receivables arising out of direct insurance arrangements

	2017 Group	**2016 Group**	**2017 Company**	**2016 Company**
Gross receivables arising out of direct insurance arrangements	16,472	23,019	10,177	16,730
Less: provision for impairment	(2,431)	(674)	(2,258)	(546)
Net receivables arising out of direct insurance	14,041	22,345	7,919	16,184
Movement in provision for impairment				
At start of year	674	574	546	546
Additions	1,378	100	1,333	-
(Written off)/recovered	379	-	379	-
	2,431	674	2,258	546

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

23. Reinsurers' share of insurance contract liabilities

Reinsurers' share of:	**2017 Group**	**2016 Group**	**2017 Company**	**2016 Company**
- unearned premium	10,369	10,037	9,247	9,501
- reinsurance share of IBNR	2,769	2,088	2,685	2,064
- notified claims outstanding	16,566	12,577	13,772	10,617
	29,704	24,702	25,704	22,182

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

	2017 Group	2016 Group	2017 Company	2016 Company
24. Deferred acquisition costs				
At start of year	2,013	1,558	1,808	1,441
Net increase/(decrease)	118	455	(14)	367
At end of year	2,131	2,013	1,794	1,808

25. Other receivables

Prepayments	386	386	287	315
Other advances	523	539	873	1,325
Vat recoverable	1	1	-	-
	910	926	1,160	1,640

26(a) Cash and cash equivalents

Cash and bank balances	5,017	1,116	3,673	1,207

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

	2017 Group	2016 Group	2017 Company	2016 Company
Cash and bank balances	5,687	1,935	3,922	1,457
Bank overdraft (Note 26(b))	(670)	(819)	(249)	(250)
	5,017	1,116	3,673	1,207

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

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

	2017 Group	2016 Group	2017 Company	2016 Company
Tanzania Shillings	1,899	315	627	158
US Dollar	3,518	1,149	3,146	976
Comoros Francs	149	323	149	323
Uganda Shillings	121	148	-	-
	5,687	1,935	3,922	1,457

26(b) Borrowings

The borrowings is made up as follows:

Current				
Bank overdraft	(670)	(819)	(249)	(250)
	(670)	(819)	(249)	(250)

27. Provisions for unearned premium and unexpired risks

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

	Group					
	2017			2016		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At start of year	24,719	(10,037)	14,682	23,955	(11,131)	12,824
Increase during the year (net)	270	(332)	(62)	764	1,094	1,858
At end of year	24,989	(10,369)	14,620	24,719	(10,037)	14,682

	Company					
	2017			2016		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At start of year	23,164	(9,501)	13,663	23,041	(10,798)	12,243
Increase during the year (net)	(898)	254	(644)	123	1,297	1,420
At end of year	22,266	(9,247)	13,019	23,164	(9,501)	13,663

28. Other payables

	2017 Group	2016 Group	2017 Company	2016 Company
Accrued expenses	3,509	4,415	3,078	4,190
Stale and cancelled cheques	165	217	165	217
Withholding tax	123	221	64	221
Payables to related party (Note 32(b))	-	-	10	4
Other payables	1,861	1,632	85	87
	5,658	6,485	3,402	4,719

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

29. Investment in subsidiaries

	Country of Incorporation	Holdings	Company 2017	Company 2016
Shares at fair value				
Alliance Life Assurance Limited	Tanzania	70.00%	4,436	4,600
Dar es Salaam Properties Limited	Tanzania	99.90%	56	82
Alliance Africa General Insurance Limited	Uganda	99.90%	2,799	3,232
			7,291	7,914

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.

30. Contingent liabilities

In common with the insurance industry in general, the company is subject to litigation arising in the normal course of insurance business. The directors are of the opinion that 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 2017.

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

	2017 Group	2016 Group	2017 Company	2016 Company
Profit before tax	9,907	7,697	8,677	7,587
Adjustments for:				
Profit on sale of fixed assets (Note 5)	-	(1)	-	(1)
Gain on sale of quoted shares (Note 3)	(3,251)	(567)	(3,251)	(567)
Net foreign exchange losses/(gains) (Note 7)	(409)	(350)	(390)	(223)
Interest income (Note 3)	(4,861)	(4,128)	(3,527)	(2,968)
Release of life fund (Note 5)	-	(1)	-	(1)
Depreciation and amortization (Note 18)	635	478	447	296
Dividend income (Note 3)	(383)	(425)	(383)	(2,175)
Changes in working capital:				
- Insurance contract and other payables	5,719	6,866	2,764	6,807
- Reinsurance arrangement creditors	505	3,345	(200)	2,929
- Insurance contracts and other receivables	8,202	(3,199)	8,759	(4,521)
- Reinsurance arrangement debtors	753	(340)	580	(446)
- Reinsurance share of insurance contract liabilities	(5,002)	2,057	(3,522)	2,398
Cash generated from/(used in) operations	**11,815**	**11,432**	**9,954**	**9,115**

32. Related party transactions and balances

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

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

(a) Transactions with related parties	2017 Group	2016 Group	2017 Company	2016 Company
Gross earned premium :				
Union Trust Investment Limited	10	12	10	12
MAC-UTI Properties Limited	49	60	49	60
The Heritage Insurance Company Tanzania Limited	347	615	347	615
Strategis Insurance (Tanzania) Limited	1,832	-	1,832	-
Alliance Life Assurance Limited	6	7	6	7
Net claims incurred :				
Union Trust Investment Limited	29	1	29	1
MAC-UTI Properties Limited	-	-	-	-
The Heritage Insurance Company Tanzania Limited	249	155	249	155
Strategis Insurance (Tanzania) Limited	1,407	-	1,407	-
Service from related party :				
MAC-UTI Properties Limited	717	692	317	299
Strategis Insurance (Tanzania) Limited	150	148	150	148
Dar es Salaam Properties Limited	235	229	235	229

	2017 Group	2016 Group	2017 Company	2016 Company
(b) Outstanding balances with related parties				
Receivables from related parties :				
Premiums receivable from related parties	76	48	76	48
Loss reserves in respect of other related parties	-	-	-	-
	76	48	76	48
Payables to related parties:				
Alliance Life Assurance Limited	-	-	10	4
	-	-	10	4
(c) Loan to subsidiary				
Dar es Salaam Properties Limited	-	-	2,841	2,841

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

	2017 Group	2016 Group	2017 Company	2016 Company
(d) Investment in equity				
Alliance Life Assurance Limited	-	-	4,436	4,600
Dar es Salaam Properties Limited	-	-	56	82
Alliance Africa General Insurance Limited	-	-	2,799	3,232
	-	-	7,291	7,914
(e) Directors' remuneration				
- Directors' fees	223	180	87	70
(f) Key management compensation				
Salaries	3,217	2,766	1,587	1,949
Social security benefit cost	252	277	159	195
	3,469	3,043	1,745	2,144

33. Disclosure of fair value of financial assets

(a) Fair values of financial assets

	Group			
	Level 1	**Level 2**	**Level 3**	**2017 Total**
Available for sale financial assets				
A. Quoted investments	8,368	-	-	8,368
B. Unquoted investments	-	-	739	739
	8,368	-	739	9,107
	Company			
Available for sale financial assets				
A. Quoted investments	7,780	-	-	7,780
B. Unquoted investments	-	-	739	739
	7,780	-	739	8,519

(b) Reconciliation of LEVEL 3 fair values - AFS	2017 Group	2016 Group	2017 Company	2016 Company
At start of year	1,611	1,611	1,611	1,611
Additions	-	-	-	-
Total gains/losses in:				
- other comprehensive income	(872)	-	(872)	-
At end of year	**739**	**1,611**	**739**	**1,611**

34. Risk management objectives and policies

(a) Insurance risk management

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

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

The underwriting department attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography.

Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the company has the right not to renew certain policies, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. Insurance contracts also entitle the company to pursue third parties for payment for some or all costs.

Since the insurance industry could result in unpredictable events resulting in huge claims, the company enters into reinsurance arrangements. The company's reinsurance arrangements include treaty reinsurance which covers excess of loss, catastrophe coverage and surplus treaties. Facultative reinsurance locally is undertaken with other insurance companies when treaty limits are exhausted. The effect of such reinsurance arrangements is that the company is able to spread its risks and hence not suffer the entire loss in case of claims.

Claims on insurance contracts are payable on an occurrence basis. The company is liable for all insured events that occurred during the term of the contract, even if the loss is reported after the end of the contract term. As a result, liability claims are settled over a long period of time and a larger element of the claims provision relates to incurred but not reported claims (IBNR). The management ensures that adequate provisions are made in the financial statements for these amounts.

Sensitivity to Insurance risk

Change in assumptions and sensitivity analysis

General insurance

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

- Chain ladder
- Bench marking and
- Expected loss ratio

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

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

34. Risk management objectives and policies (continued)

General insurance (continued)

	2017 Group	2016 Group	2017 Company	2016 Company
Impact on pre-tax profit				
5 % increase in loss ratios				
Gross	(3,122)	(3,294)	(2,956)	(3,133)
Net	(1,746)	(1,674)	(1,589)	(1,569)
5% decrease in loss ratios				
Gross	3,122	3,294	2,956	3,133
Net	1,746	1,674	1,589	1,569
10% increase in expenses				
Gross	(1,471)	(1,266)	(1,013)	(878)
Net	(1,471)	(1,266)	(1,013)	(878)
Impact on equity				
5 % increase in loss ratios				
Gross	(2,185)	(2,306)	(2,069)	(2,193)
Net	(1,222)	(1,172)	(1,112)	(1,099)
5% decrease in loss ratios				
Gross	2,185	2,306	2,069	2,193
Net	1,222	1,172	1,112	1,099
10% increase in expenses				
Gross	(1,030)	(886)	(709)	(614)
Net	(1,030)	(886)	(709)	(614)

Life insurance

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

	2017 Group	2016 Group	2017 Company	2016 Company
Impact on pre-tax profit				
5% increase in mortality/morbidity				
Gross	(486)	(457)	-	-
Net	(299)	(282)	-	-
5% increase in longevity				
Gross	486	457	-	-
Net	299	282	-	-
10% increase in expenses				
Gross	(1,471)	(1,266)	-	-
Net	(1,471)	(1,266)	-	-

34. Risk management objectives and policies (continued)

Life insurance (continued)

Impact on equity	2017 Group	2016 Group	2017 Company	2016 Company
5% increase in mortality/morbidity				
Gross	(340)	(320)	-	-
Net	(209)	(197)	-	-
5% increase in longevity				
Gross	340	320	-	-
Net	209	197	-	-
10% increase in expenses				
Gross	(1,030)	(886)	-	-
Net	(1,030)	(886)	-	-

Concentration of insurance risk

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

General Insurance

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

	Group				
			2017		2016
Short term Business	Before Reinsurance Claims	Reinsurance Recoveries	Net Outstanding Claims	% percentage	Net Outstanding Claims
Fire	8,811	7,266	1,545	8.5%	1,536
Motor	14,671	2,047	12,624	69.1%	11,645
Marine	3,920	2,279	1,641	9.0%	1,897
Engineering	3,086	2,063	1,023	5.6%	380
Miscellaneous	4,198	3,102	1,096	6.0%	1,246
Health	289	-	289	1.6%	-
Comoros operations	107	48	59	0.3%	71
	35,082	16,805	18,277	100%	16,775

	Company				
			2017		2016
Short term Business	Before Reinsurance Claims	Reinsurance Recoveries	Net Outstanding Claims	% percentage	Net Outstanding Claims
Fire	8,751	7,235	1,516	8.6%	1,524
Motor	14,024	1,709	12,315	69.6%	11,494
Marine	3,851	2,243	1,608	9.1%	1,868
Engineering	2,985	2,010	975	5.5%	364
Miscellaneous	3,839	2,914	925	5.2%	1,163
Health	289	-	289	1.6%	-
Comoros operations	107	48	59	0.3%	71
	33,846	16,159	17,687	100%	16,484

34. Risk management objectives and policies (continued)

Concentration of insurance risk (continued)

Life insurance

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

	Group				
			2017		2016
Business	**Before Reinsurance Claims**	**Reinsurance Recoveries**	**Net Outstanding Claims**	**% percentage**	**Net Outstanding Claims**
Ordinary life	-	-	-	0	-
Group life	5,980	2,530	3,450	100%	4,602
	5,980	2,530	3,450	100%	4,602

	Company				
			2017		2016
Business	**Before Reinsurance Claims**	**Reinsurance Recoveries**	**Net Outstanding Claims**	**% percentage**	**Net Outstanding Claims**
Ordinary life	-	-	-	0	-
Group 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 2017, 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. 74 m (2016: Tzs. 153 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.74 m (2016: Tzs. 153 m) lower.

34. Risk management objectives and policies (continued)

(b) Financial risk management (continued)

(i) Market Risk (continued)

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

Effect on post tax profit	2017 Group	2016 Group	2017 Company	2016 Company
Government securities increase	134	106	143	115
Deposits with banks increase	204	147	121	73
Net effect on post tax profit	338	253	264	188

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:

	2017 Group	2016 Group	2017 Company	2016 Company
Effect on the post tax profit				
- Decrease	(418)	(538)	(389)	(508)

(ii) Credit risk

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

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

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

	% held by a few counter parties			
Key area	**2017 Group**	**2016 Group**	**2017 Company**	**2016 Company**
- Government securities	100%	100%	100%	100%
- Receivables arising out of direct insurance arrangements	43%	41%	43%	41%
- Receivables arising out of reinsurance arrangements	39%	30%	39%	30%
- Cash and bank balances and deposits with banks	40%	40%	45%	42%

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

34. Risk management objectives and policies (continued)

(b) Financial risk management (continued)

(ii) Credit Risk (continued)

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

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

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

(iii) Liquidity risk

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

The table below summarises the maturity analysis of financial liabilities

	Group			
Year ended 31 December 2017	**0 to 1 month**	**1 to 3 months**	**3 to 12 months**	**Total**
Payables arising from reinsurance arrangements	5,857	1,251	1,077	8,185
Other payables	5,658	-	-	5,658
	11,515	1,251	1,077	13,843
Year ended 31 December 2016				
Payables arising from reinsurance arrangements	4,722	1,870	1,088	7,680
Other payables	6,485	-	-	6,485
	11,207	1,870	1,088	14,165
Year ended 31 December 2017	**Company**			
Payables arising from reinsurance arrangements	3,766	691	783	5,240
Other payables	3,402	-	-	3,402
	7,168	691	783	8,642
Year ended 31 December 2016				
Payables arising from reinsurance arrangements	2,482	1,870	1,088	5,440
Other payables	4,719	-	-	4,719
	7,201	1,870	1,088	10,159

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.

35. Capital management

The company's objectives when managing capital are:

Externally imposed capital requirements

- to comply with the insurance capital requirements required by the Insurance Act, 2009;
- to safeguard the entity’s ability to continue as a going concern, so that it can continue to provide returns for 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.

36. Movement in revaluation reserve

	2017 Group	2016 Group	2017 Company	2016 Company
Property and equipment - Buildings	525	563	184	199
Available-for-sale financial assets	5,192	8,277	6,866	10,587
Total revaluation reserve	5,717	8,840	7,050	10,786
Property and equipment- Buildings				
At start of year	563	601	199	214
Revaluation surplus/(charge) (net)	(54)	(54)	(22)	(22)
Deferred tax on (gain)/charge (net)	16	16	7	7
At end of year	525	563	184	199
Available for sale financial assets				
At start of year	8,277	10,184	10,587	12,473
Fair value gain/(charge)	(3,079)	(1,916)	(3,721)	(1,886)
Deferred tax on (gain)/charge	(6)	9	-	-
At end of year	5,192	8,277	6,866	10,587

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

37. Country of incorporation

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

38. Events after the balance sheet date

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

39. Group Companies

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

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

40. Presentation Currency

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

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

Consolidated General insurance business revenue account 2017

	Fire	**Motor**	**Marine**	**Misc.**	**Engineering**	**Health**	**Comoros**	**Total 2017**	**Total 2016**
	Tzs.' Millions	**Tzs.' Millions**	**Tzs.' Millions**	**Tzs.' Millions**	**Tzs.' Millions**	**Tzs.' Millions**	**Tzs.' Millions**	**Tzs.' Millions**	**Tzs.' Millions**
Gross written Premium	14,256	28,189	5,166	9,767	2,476	1,832	1,018	62,704	66,649
Reinsurance premium ceded	(11,028)	(3,765)	(2,904)	(8,068)	(1,685)	-	(396)	(27,846)	(31,307)
Net written premium	**3,228**	**24,424**	**2,262**	**1,699**	**791**	**1,832**	**622**	**34,858**	**35,342**
Change in UPR	(120)	210	24	(30)	(43)	-	21	62	(1,858)
Net Earned Premium	**3,108**	**24,634**	**2,286**	**1,669**	**748**	**1,832**	**643**	**34,920**	**33,484**
Gross Claims paid	(5,316)	(13,463)	(1,692)	(2,404)	(175)	(1,166)	(529)	(24,745)	(20,548)
Change in gross claim	(2,034)	(683)	3	(76)	(2,564)	(289)	12	(5,631)	(3,868)
Less: Reinsurance recoverable	5,506	1,884	886	1,686	2,117	-	407	12,486	6,619
Incurred Claims	**(1,844)**	**(12,262)**	**(803)**	**(794)**	**(622)**	**(1,455)**	**(110)**	**(17,890)**	**(17,797)**
Commission income	2,475	525	474	1,626	581	-	57	5,738	5,105
Commission expense	(3,316)	(3,464)	(849)	(1,844)	(463)	(275)	(56)	(10,267)	(9,238)
Expenses of Management	(528)	(7,079)	(580)	(727)	(279)	(49)	(571)	(9,813)	(10,416)
Total Expenses	**(3,213)**	**(22,280)**	**(1,758)**	**(1,739)**	**(783)**	**(1,779)**	**(680)**	**(32,232)**	**(32,346)**
Underwriting (loss)/profit 2017	**(105)**	**2,354**	**528**	**(70)**	**(35)**	**53**	**(37)**	**2,688**	**1,138**
Underwriting (loss)/profit 2016	**478**	**1,125**	**(598)**	**(65)**	**70**	**-**	**128**	**1,138**	**1,382**
Loss ratio(net claims incurred/net earned premium)	**59%**	**50%**	**35%**	**48%**	**83%**	**79%**	**17%**	**51%**	**53%**
Commission ratio(commission payable/ gross premium written)	**23%**	**12%**	**16%**	**19%**	**19%**	**15%**	**6%**	**16%**	**14%**
Expense ratio(management expenses/gross written premium)	**4%**	**25%**	**11%**	**7%**	**11%**	**3%**	**56%**	**16%**	**16%**

Consolidated life assurance business revenue account 2017

	Ordinary Life Business	Group Life Business	Total 2017	Total 2016
Gross earned premium	366	9,349	9,715	9,143
Reinsurance premium ceded	-	(3,737)	(3,737)	(3,512)
Net earned premium	366	5,612	5,978	5,631
Investment income	47	1,209	1,256	1,176
Other Income	22	566	588	400
Total Income	435	7,387	7,822	7,207
Policy holders' benefit:				
Life and health claims	141	3,610	3,751	3,744
Change in actuarial value of policyholder benefits	21	540	561	(230)
Less: amounts recoverable from reinsurers	-	(2,452)	(2,452)	(2,157)
Net claims and policyholder benefits payable	162	1,698	1,860	1,357
Operating and other expenses	96	2,454	2,550	2,243
Commissions expense	-	1,671	1,671	1,605
Total expenses	258	5,823	6,081	5,205
Net profit before tax – life business	177	1,564	1,741	2,002
Tax charge	(35)	(312)	(347)	(330)
Life business profit after tax	142	1,252	1,394	1,672
Policyholders				
- actuarial liabilities	209	3,290	3,499	3,115

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

Company General insurance business revenue account 2017

	Fire	Motor	Marine	Misc.	Engineering	Health	Comoros	Total 2017	Total 2016
	Tzs.' Millions	**Tzs.' Millions**	**Tzs.' Millions**	**Tzs.' Millions**	**Tzs.' Millions**	**Tzs.' Millions**	**Tzs.' Millions**	**Tzs.' Millions**	**Tzs.' Millions**
Gross written Premium	13,179	26,894	4,744	8,558	1,989	1,832	1,018	58,214	62,787
Reinsurance premium ceded	(10,339)	(4,707)	(2,780)	(7,499)	(1,352)	-	(396)	(27,073)	(29,979)
Net written premium	**2,840**	**22,187**	**1,964**	**1,059**	**637**	**1,832**	**622**	**31,141**	**32,808**
Change in UPR	(32)	571	69	52	(37)	-	21	644	(1,420)
Net Earned Premium	**2,808**	**22,758**	**2,033**	**1,111**	**600**	**1,832**	**643**	**31,785**	**31,388**
Gross Claims paid	(5,133)	(12,864)	(1,444)	(2,038)	(126)	(1,166)	(529)	(23,300)	(19,845)
Change in gross claim	(1,999)	(315)	23	130	(2,493)	(289)	12	(4,931)	(3,563)
Less: Reinsurance recoverable	5,337	1,877	715	1,427	1,924	-	407	11,687	6,457
Incurred Claims	**(1,795)**	**(11,302)**	**(706)**	**(481)**	**(695)**	**(1,455)**	**(110)**	**(16,544)**	**(16,951)**
Commission income	2,273	695	438	1,459	484	-	57	5,406	4,737
Commission expense	(3,055)	(3,377)	(746)	(1,550)	(344)	(275)	(56)	(9,403)	(8,759)
Expenses of Management	(193)	(6,608)	(445)	(364)	(121)	(49)	(571)	(8,351)	(8,777)
Total Expenses	**(2,770)**	**(20,592)**	**(1,459)**	**(936)**	**(676)**	**(1,779)**	**(680)**	**(28,892)**	**(29,750)**
Underwriting (loss)/profit 2017	**38**	**2,166**	**574**	**175**	**(76)**	**53**	**(37)**	**2,893**	**1,638**
Underwriting (loss)/profit 2016	**402**	**1,426**	**(544)**	**148**	**78**	**-**	**128**	**1,638**	**1,998**
Loss ratio(net claims incurred/net earned premium)	**64%**	**50%**	**35%**	**43%**	**116%**	**79%**	**17%**	**52%**	**54%**
Commission ratio(commission payable/ gross premium written)	**23%**	**13%**	**16%**	**18%**	**17%**	**15%**	**6%**	**16%**	**14%**
Expense ratio(management expenses/gross written premium)	**1%**	**25%**	**9%**	**4%**	**6%**	**3%**	**56%**	**14%**	**14%**

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

Company life assurance business revenue account 2017

	Ordinary Life Business	Group Life Business	Total 2017	Total 2016
Gross earned premium	-	-	-	-
Reinsurance premium ceded	-	-	-	-
Net earned premium	-	-	-	-
Investment income	-	-	-	-
Other Income	-	-	-	1
Total Income	-	-	-	1
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	-	-	-	1
Tax charge	-	-	-	-
Life business profit after tax	-	-	-	1
Policyholders				
- actuarial liabilities	-	89	89	89