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ALLIANCE INSURANCE CORPORATION LIMITED

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2020

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BOARD OF DIRECTORS	Mr. Shaffin Jamal	Tanzanian
	Mr. Yogesh Manek	Tanzanian
	Dr. Alex Nguluma	Tanzanian
	Mr. Kalpesh Mehta	British
CHIEF OFFICERS	Mr. K V A Krishnan	Group Managing Director
	Mr. Vineet Patel	Head of Finance/ Company Secretary
	Mr. Oswald Tellis	Head of Bancassurance
	Ms. Deborah Sarakikya	Assistant General Manager - Technical & Marketing
	Mr. Gustaph Dimoso	Senior Manager - Underwriting

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

Union Insurance Brokers Ltd
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Kigali-Rwanda

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

INDEPENDENT AUDITORS
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Certified Public Accountants
P.O. Box 948, Dar es Salaam

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CHAIRMAN'S STATEMENT

Dear Stakeholders,

I am delighted to present to you the Annual Report and Financial Statements for the year ended 31st December 2020. I am ambivalent on the performance for the year achieving a GWP of TZS 80.7 bn and a PBT of 8.3 bn under the global pandemic situation of Covid-19. The pandemic majorly affected sectors like hospitality, tourism, education, logistics and inturn declined revenues. At the same time, our country - Tanzania has been truly blessed, as the pandemic has had enduring impairment in other parts of the world.

ECONOMIC OUTLOOK

According to African Development Bank, the real GDP growth significantly slowed to 2.1% in 2020 as compared to 6.8% in 2019, due to Covid pandemic. The government took accommodative measures to support credit and economic growth, by reducing the policy rate from 7% to 5%. A markedly diversified economy, characterized by robust private consumption, substantial public spending, strong investment growth and an upturn in exports underpins the positive outlook. Tourism, mining, services, construction, agriculture and manufacturing are notable sectors. GDP is projected to grow 4.1% in 2021 and 5.8% in 2022, due to improved performance of the tourism sector and the reopening of trade corridors. The major downside risks to the outlook include business regulatory bottlenecks that constrain private sector activity and uncertainties regarding the pandemic.

Inflation fell to 3.3% in 2020 from 3.5% in 2019 due to steady decline in food prices. The local currency - Tanzanian shilling was fairly stable, partly due to central bank's intervention to stabilise the foreign currency market, exchanging at an average of 2,230 to the dollar, compared with 2,290 in 2019. The fiscal deficit stood at 2.3% of GDP in 2020, up from 2% in 2019, even following reduction of recurrent expenditure due to efforts of fiscal consolidation. Spending on large infrastructure projects and depressed revenue performance are expected to widen the fiscal deficit to 3.2% of GDP in both 2021 and 2022, financed mainly by external borrowing. The current account deficit slightly improved to 3.2% of GDP in 2020 from 3.4% in 2019.

The overall insurance market grew at 4.7% in 2020 with a GWP of TZS 851.86 bn against TZS 813.51 bn in 2019 with the non-life segment growing only at 3.1% and life at 14 %.

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

BUSINESS OPERATIONS

As a result of the fallback in the current year GWP, we have developed strategies to regain the business numbers and grow beyond with improved channels and efficiency. We have upgraded our insurance software, which is considered to further enhance our ability to provide best in class service to our clientele and generate quality data for analysis and interpretation to take informed decisions.

We are committed to spread our reach by branch channels and play a larger role in East Africa by having presence in Kenya.

New initiatives

We continue the process of system integration with intermediaries to provide hassle free after-sales service. We persist with our customer centric approach and continue to deliver as per customer expectations to ensure that the confidence reposed in us over the years is further enhanced. We are in the final steps to roll-out our mobile application and USSD platform to cater to micro insurance requirements of the insuring public. On the digital front, we shall be investing into enhancing our capabilities with digital footprints. As a pioneer, we have produced a documentary to enhance insurance awareness in the population, further supported by creative advertisements. All these initiatives show our keenness to support the Regulator's initiatives to increase insurance penetration and reach. We would continue to look out for cutting edge technology to enhance our capabilities to offer better solutions to our business partners and clientele.

Human Resource Capacity Development

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

CHAIRMAN'S STATEMENT (CONTINUED)

ACKNOWLEDGEMENT

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

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

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

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

Believe, every dark cloud has a silver lining, and during these unprecedented times where we battle a pandemic globally, I would also extend my gratitude to all our customers, employees, partners, regulator and each and every stakeholder for their continued support and trust in our brand. We look forward to serving and working closely with all of you throughout, and in a renewed world post the COVID-19 phase where Alliance continues to be the preferred choice of risk management experts in this market.

Wishing all of you sound physical and financial health.

....
Shaffin Jamal
Chairman
Date: June _________, 2021

DIRECTORS' REPORT

The directors submit their report and the audited financial statements for the year ended 31 December 2020, which disclose the state of affairs of the company.

1. PRINCIPAL ACTIVITIES

The principal activities of the company are that of underwriting all classes of non-life insurance risks as defined by the Insurance Act. The company also handles the run-off of life business written by it till June 2010. In July 2010, the company had invested 70% of the shares in Alliance Life Assurance Limited which exclusively transacts life insurance business. In June 2011, the Company became 99% shareholders in Dar-es-Salaam Properties Limited which is dealing in leasing out residential furnished apartments, which was an Associate till this date. In June 2012, the company opened a branch in Comoros Island to transact General Insurance business. In year 2013, the company promoted and incorporated a new company, Union Insurance Limited in Uganda which was renamed as Alliance Africa General Insurance Limited on 7th November 2014. In year 2018, the company invested in , Union Insurance Brokers Limited ("foreign subsidiary") in Rwanda which its nature of business is brokerage.

2. GROUP RESULTS

Particulars	2020 TZS. Millions	2019 TZS. Millions
Profit before tax	8,429	10,461
Tax charge	(2,152)	(1,819)
Profit for the year	**6,277**	**8,642**

3. SHARE CAPITAL

The issued and paid up share capital of the company is Tzs. 11,500,000,000 (2019: Tzs 11,500,000,000).

4. DIVIDEND

The Board of Directors recommended total Dividend for the year ended 31st December 2020 of Tzs 4,000 million (2019: 6,500 million) out of which no interim dividend was paid to shareholders during the year (2019: Tzs 1,000 million paid as interim dividend).

5. DIRECTORS

The directors of the company at the date of this report, who held office since 1 January 2020, except as otherwise stated are:

Name	Nationality	Date of appointment	Position	Age	Changes
Shaffin Jamal	Tanzanian	1/24/1996	Chairman	50	
Yogesh M Manek	Tanzanian	1/1/2004	Director	66	
Narendra P Thaker	Kenyan	12/26/1998	Director	88	Resigned on 4th March 2020
Dr. Alex Nguluma	Tanzanian	12/1/2000	Director	68	
Kalpesh Mehta	British	11/1/2013	Director	51	

6. DIRECTORS’ INTERESTS

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

7. TRANSFERS TO RESERVES

Alliance Insurance Corporation Limited

In respect of General Business, an amount of TZS 1.933 million (2019:TZS 2.143 million) has been transferred to a contingency reserve account in accordance with Regulations 27 (2) (b) and 27 (3) (b) of The Insurance Regulations, 2009.

Subsidiary - Alliance Life Asssurance Limited

An amount of Tzs.104.28 million (2019: 98.39 million) in respect of long term business has been transferred to a contingency reserve account in accordance with Regulations 27 (2) (b) and 27 (3) (b) of The Insurance Regulations, 2009.

Subsidiary - Alliance Africa General Insurance Limited, Uganda

An amount of Ush 304.80 million equivalent to Tzs. 188.37 million (2019:Ush 305.27 million equivalent to Tzs 184.87 million) has been transferred to a contingency reserve account in accordance with Section 47(2) of the Uganda Insurance Act, Cap. 213.

DIRECTORS' REPORT (CONTINUED)

8. CORPORATE GOVERNANCE

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

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

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

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

9. RELATED PARTY TRANSACTIONS

The company provided insurance, in the normal course of business and at arm's length, to the majority shareholder Union Trust Investments Limited and its subsidiaries. Details of transactions and balances with related parties are included in note 33 to the financial statements.

10. SOLVENCY

The directors consider thecompany's solvency position as shown on the statement of financial position set out on page 12 of these financial statements to be very satisfactory. The group's solvency margin at 31 December 2020 exceeded the minimum required by The Insurance Act 2009, by Tzs 13,177 million (2019: Tzs 10,697million).

11. EMPLOYEE WELFARE

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

11. GOING CONCERN

The directors believe that the group has adequate financial resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the group is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the group. The directors are also not aware of any material noncompliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the group.

Although the indefinite continuation of the prevalence of COVID 19 may have an impact on the business as a going concern, nothing has come to the attention of the management that as on the date of the report, the group will not to continue as a going concern for a period of 12 months from the date of the financial statements and hence the accounts have been prepared on a going concern basis.

12. AUDITORS

M/s. Balakrishna Sreekumar & Co. were appointed as the auditors of the group's financial statements for the year ended December 31, 2020 in duly constituted previous annual general meeting. They express their willingness to continue in office and are eligible for reappointment.

By Order of the Board,

....
Yogesh Manek
Director
Date: June _________, 2021

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

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

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and the Company as at 31 December 2020 and of its operating results for the year then ended. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the financial statements, as well as adequate systems of internal control.

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

The directors have reviewed the Company's cash flow forecast for the year to 31 December 2021 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 June _________, 2021 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 2020 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: ....

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Alliance Insurance Corporation Limited
P.O. Box 9942
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Tanzania

REPORT OF THE CONSULTING ACTUARY

ACTUARIAL VALUATION AS AT 31 DECEMBER 2020

I have conducted an actuarial valuation of the life assurance business of Alliance Insurance Corporation Limited as at 31 December 2020.

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

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

In my opinion, the Life Assurance business of the Company was financially sound and the actuarial value of the liabilities in respect of all classes of life insurance business did not exceed the amount of funds of the life assurance business at 31 December 2020.

Nicolette Patchett
Fellow of the Actuarial Society of South Africa
On behalf of ARCH Actuarial Consulting
14 April 2021

INDEPENDENT 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), as set out on pages 11 to 53 which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020 and of its total comprehensive income after tax of Tzs. 6,577 (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

In line with the prevailing environment due to COVID 19 pandemic, we have relied on the confirmation from the directors as mentioned in the para "Going concern" of the director's report, due to which the company's accounts have been prepared on a going concern basis.

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.

Other matters

The Consolidated Alliance Insurance Corporation Limited's financial statements include 4 subsidiaries. We did not audit the financial statements and other financial information in respect of 2 subsidiaries and the other subsidiary was not audited as it ceased operations. The Subsidiaries has total assets of Tshs 29.6 million as at December 31, 2020 and total revenues of Tshs 18.04 million for the year ended on that date. These financial statements and other financial information have been audited by other auditors which financial statements, other financial information and auditor's reports have been furnished to us by the management. Our opinion on the Consolidated Financial Statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries in so far as it relates to the aforesaid subsidiaries is based solely on the reports of such other auditors.

Report on other legal requirements

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

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

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

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

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

Dar es Salaam
Date: June _________, 2021

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

	Note	2020 TZS. Millions	2019 TZS. Millions
Gross earned premiums	1	90,939	92,026
Less: premiums ceded out to reinsurers	2	(38,286)	(38,839)
Net earned premiums		52,653	53,187
Rental income		49	37
Investment income	3	6,371	7,762
Commission earned	4	7,012	7,394
Other income	5	55	44
Net income		**66,139**	**68,423**
Claims and policy holders benefits payable	6	34,925	39,423
Less: amounts recoverable from reinsurers	6	(12,707)	(15,390)
Net claims payable		22,218	24,034
Operating and other expenses		15,718	16,376
Commission expenses	7	19,834	17,574
Net impairment losses on financial assets		(60)	(21)
Total expenses		**57,710**	**57,963**
Profit before tax	8	8,429	10,461
Tax charge	10	(2,152)	(1,819)
Profit for the year		**6,277**	**8,642**
Profit for the year attributable to:			
Owners of the parent		6,360	8,563
Non-controlling interest		(83)	79
Profit for the year		**6,277**	**8,642**
Other comprehensive Income			
Fair value gain/(loss) on financial assets	36	487	(167)
Fair value gain on property	36	-	187
Deferred tax charge on gain on revaluation of property	36	-	(56)
Disposal of unit trusts		-	(81)
Deferred tax credit/(charge) on fair value gain on financial assets	36	(146)	50
Depreciation charge on revaluation part of property	18	(58)	(54)
Reversal of deferred tax charge on gain on revaluation of property	36	17	16
Total other comprehensive (loss)/income		**300**	**(105)**
Total comprehensive income for the year		**6,577**	**8,537**
Total comprehensive income for the year			
Attributable to:			
Owners of the parent		6,660	8,458
Non-controlling interest		(83)	79
Total comprehensive income for the year		**6,577**	**8,537**
Dividend:			
Proposed and paid during the year - Interim	12	-	1,000
Proposed for the year - Final	12	4,000	5,500
Earning per share			
Basic (Tzs. in '000) - Restated		27.65	37.23

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

Report of the Auditors' - Pages 9 to 10

Alliance Insurance Corporation Limited
Company statement of profit or loss and other comprehensive income
For the year ended 31st December 2020
(All amounts in Tzs. 'millions' unless otherwise stated)

	Note	2020 TZS. Millions	2019 TZS. Millions
Gross earned premiums	1	65,802	69,310
Less: premiums ceded out to reinsurers	2	(28,648)	(29,856)
Net earned premiums		37,154	39,454
Investment income	3	5,295	6,833
Commission earned	4	5,757	5,608
Other income	5	24	22
Net income		**48,230**	**51,917**
Claims and policy holders benefits payable	6	24,294	27,161
Less: amounts recoverable from reinsurers	6	(7,404)	(8,343)
Net claims payable		16,890	18,818
Operating and other expenses		9,642	10,339
Commission expenses	7	13,390	12,411
Net impairment (reversal)/losses on financial assets		(14)	105
Total expenses		**39,908**	**41,673**
Profit before tax	8	8,322	10,244
Tax charge	10	(1,846)	(1,561)
Profit for the year		**6,476**	**8,683**
Other comprehensive Income			
Fair value gain/(loss) on financial assets	36	436	(167)
Fair value gain on property	36	-	187
Deferred tax charge on gain on financial assest	36	(131)	50
Deferred tax charge on gain on revaluation of property	36	-	(56)
Disposal of unit trusts		-	(81)
Depreciation charge on revaluation part of property	18	(26)	(22)
Reversal of deferred tax charge on gain on revaluation of property	36	8	7
Total other comprehensive income		**287**	**(82)**
Total comprehensive income for the year		**6,763**	**8,601**
Dividend:			
Proposed and paid during the year - Interim	12	-	1,000
Proposed for the year - Final	12	4,000	5,500
Earning per share			
Basic (Tzs. in '000) - Restated		28.16	37.75

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

Report of the Auditors' - Pages 9 to 10

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

	Note	2020 TZS. Millions	2019 TZS. Millions
CAPITAL EMPLOYED			
Share capital	13	11,500	11,500
Capital reserve	14	50	36
Contingency reserve	14	17,448	15,211
Revaluation reserve	37	774	474
Retained earnings	16	6,099	6,412
Equity attributable to the owners of the parent		35,871	33,633
Non-controlling interest		1,591	1,705
Total equity		**37,461**	**35,338**
REPRESENTED BY			
Assets			
Property & equipment	18(a)	4,966	5,522
Investment in property	18(b)	815	808
Intangible assets	19	765	138
Right-of-use asset	28	506	924
Deferred tax assets	20	2,362	1,890
Financial assets designated at fair value through other comprehensive income	21(a)	7,937	7,254
Financial assets at amortised cost	21(b)	65,717	65,946
Reinsurance arrangement debtors		2,299	1,522
Receivables arising out of direct insurance arrangements	23	7,612	5,690
Reinsurers' share of insurance contract liabilities	24	25,523	25,410
Deferred acquisition costs	25	3,800	3,319
Other receivables	26	1,550	1,872
Tax recoverable		329	430
Cash and cash equivalents	27(a)	3,417	5,457
Branch preliminary expenses		137	137
Total assets		**127,732**	**126,319**
Liabilities			
Insurance contract liabilities	17	37,507	38,098
Provisions for unearned premium and unexpired risks	29	31,112	32,120
Reinsurance arrangement creditors		13,083	13,416
Bank overdraft	27(b)	2,731	1,644
Lease Liabilities	28	560	970
Other payables	30	5,278	4,733
Total liabilities		**90,271**	**90,981**
Total net assets		**37,461**	**35,338**

The financial statements on pages 11 to 53 were authorised and approved for issue by the board of directors on ________________, 2021 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 28 and the notes on pages 29 to 53 form an integral part of these financial statements.

Report of the Auditors' - Pages 9 to 10

Alliance Insurance Corporation Limited
Company statement of financial position
As at 31st December 2020

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

	Note	2020 TZS. Millions	2019 TZS. Millions
CAPITAL EMPLOYED			
Share capital	13	11,500	11,500
Contingency reserve	14	16,009	14,076
Revaluation reserve	37	2,167	1,880
Retained earnings	16	6,543	6,544
Total equity		**36,219**	**34,000**
REPRESENTED BY			
Assets			
Property & equipment	18 (a)	1,702	2,034
Investment in property	18 (b)	815	808
Intangible assets	19	403	7
Deferred tax assets	20	2,162	1,758
Financial assets designated at fair value through other comprehensive income	21(a)	7,240	6,608
Financial assets at amortised cost	21(b)	49,416	50,928
Investments accounted for using the equity method	22	7,712	7,712
Loan to subsidiary	32(c)	3,050	3,050
Reinsurance arrangement debtors		1,975	1,004
Receivables arising out of direct insurance arrangements	23	3,961	2,081
Reinsurers' share of insurance contract liabilities	24	21,855	21,462
Deferred acquisition costs	25	3,023	2,692
Other receivables	26	1,655	2,171
Cash and cash equivalents	27(a)	1,148	3,410
Branch preliminary expenses		137	137
Total assets		**106,254**	**105,862**
Liabilities			
Insurance contract liabilities	17	27,256	28,324
Provisions for unearned premium and unexpired risks	29	25,685	27,053
Reinsurance arrangement creditors		11,975	12,764
Bank overdraft	27(b)	2,218	1,644
Tax payable		157	240
Other payables	30	2,744	1,837
Total liabilities		**70,035**	**71,862**
Total net assets		**36,219**	**34,000**

The financial statements on pages 11 to 53 were authorised and approved for issue by the board of directors on ________________, 2021 and signed on its behalf by:

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

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

Report of the Auditors' - Pages 9 to 10

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

	Note	Share capital TZS. Millions	Capital reserve TZS. Millions	Contingency reserve TZS. Millions	Revaluation reserve TZS. Millions	Retained earnings TZS. Millions	Non controlling interests TZS. Millions	Total TZS. Millions
At 1 January 2019		11,500	25	12,779	579	6,138	1,655	**32,676**
Fair value gain/(loss)								
financial assets	36	-	-	-	(167)	-	-	**(167)**
- on property	36	-	-	-	187	-	-	**187**
Deferred tax credit/(charge) on								
-fair value gain								
financial assets	36	-	-	-	50	-	-	**50**
-revaluation of property	36	-	-	-	(56)	-	-	**(56)**
Dep. charge on revaluation								**-**
part of property	18	-	-	-	(54)	-	-	**(54)**
Reversal of sale of UTT Shares		-	-	-	(81)	(1,480)	-	**(1,561)**
Reversal of Deferred tax charge on								**-**
gain on revaluation of property	36	-	-	-	16	-	-	**16**
Profit for the year		-	-	-	-	8,458	79	**8,537**
Transfer to contingency reserve								
- general business	14	-	11	2,334	-	(2,345)	-	**-**
- long term business	14	-	-	98	-	(69)	(29)	**-**
Transfer to capital reserve		-	-	-	-	-	-	**-**
Dividends								
- final paid for 2018	12	-	-	-	-	(3,500)	-	**(3,500)**
- interim paid for 2019	12	-	-	-	-	(1,000)	-	**(1,000)**
		-	-	-	-	-	-	**-**
Exchange gain on consolidation		-	-	-	-	210	-	**210**
At 31 December 2019		**11,500**	**36**	**15,211**	**474**	**6,412**	**1,705**	**35,338**
At 1 January 2020		11,500	36	15,211	474	6,412	1,705	**35,338**
Fair value gain/(loss)								
financial assets	36	-	-	-	487	-	-	**487**
- on property	36	-	-	-	-	-	-	**-**
Deferred tax credit/(charge) on								
-fair value gain								
financial assets	36	-	-	-	(146)	-	-	**(146)**
-revaluation of property	36	-	-	-	-	-	-	**-**
Dep. charge on revaluation								**-**
part of property	18	-	-	-	(58)	-	-	**(58)**
Reversal of Deferred tax charge on								**-**
gain on revaluation of property	36	-	-	-	17	-	-	**17**
Profit for the year		-	-	-	-	6,660	(83)	**6,577**
Transfer to contingency reserve								
- general business	14	-	14	2,132	-	(2,146)	-	**-**
- long term business	14	-	-	104	-	(73)	(31)	**-**
Transfer to capital reserve		-	-	-	-	-	-	**-**
Dividends								
- final paid for 2019	12	-	-	-	-	(4,400)	-	**(4,400)**
- interim paid for 2020	12	-	-	-	-	-	-	**-**
		-	-	-	-	-	-	**-**
Exchange loss on consolidation		-	-	-	-	(354)	-	**(354)**
At 31 December 2020		**11,500**	**50**	**17,448**	**774**	**6,099**	**1,591**	**37,461**

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

Report of the Auditors' - Pages 9 to 10

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

	Note	Share capital TZS. Millions	Contingency reserve TZS. Millions	Revaluation reserve TZS. Millions	Retained earnings TZS. Millions	Total TZS. Millions
Balance at 1 January 2019		11,500	11,933	1,962	5,984	**31,379**
Fair value gain/(loss)						
- on financial assets at fair value through other comprehensive income	36	-	-	(167)	-	**(167)**
- on property		-	-	187	-	**187**
Deferred tax charge on gain on fianacial assets		-	-	50	-	**50**
Deferred tax charge on gain on revaluation of property				(56)		**(56)**
Reversal of sale of UTT Shares		-	-	(81)	(1,480)	**(1,561)**
Dep. charge on revaluation part of property	18	-	-	(22)	-	**(22)**
Reversal of Deferred tax charge on gain on revaluation of property	20	-	-	7	-	**7**
Profit for the year		-	-		8,683	**8,683**
Transfer to contingency reserve						
- general business	14	-	2,143	-	(2,143)	**-**
- long term business	14	-	-	-	-	**-**
Dividends						
- final paid for 2018	12	-	-	-	(3,500)	**(3,500)**
- interim paid for 2019	12	-	-	-	(1,000)	**(1,000)**
At 31 December 2019		**11,500**	**14,076**	**1,880**	**6,544**	**34,000**
Balance at 1 January 2020		11,500	14,076	1,880	6,544	**34,000**
Fair value gain/(loss)						
- on financial assets at fair value through other comprehensive income	36	-	-	436	-	**436**
- on property						**-**
Deferred tax charge on gain on fianacial assets		-	-	(131)	-	**(131)**
Deferred tax charge on gain on revaluation of property						
Reversal of sale of UTT Shares						
Dep. charge on revaluation		-	-	(26)	-	**(26)**
part of property	18					
Reversal of Deferred tax charge on gain on revaluation of property	20	-	-	8	-	**8**
Profit for the year		-	-	-	6,476	**6,476**
Prior year adjustments		-			(144)	**(144)**
Withholding tax paid on bonus issue						**-**
Transfer to contingency reserve						
- general business	14	-	1,933	-	(1,933)	**-**
- long term business	14					**-**
Dividends						
- final paid for 2019	12	-	-	-	(4,400)	**(4,400)**
At 31 December 2020		**11,500**	**16,009**	**2,167**	**6,543**	**36,219**

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

Report of the Auditors' - Pages 9 to 10

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

	Note	Group 2020 TZS. Millions	Group 2019 TZS. Millions	Company 2020 TZS. Millions	Company 2019 TZS. Millions
Operating activities					
Cash generated from/(used in) operations	31	(1,297)	8,909	(1,943)	7,767
Tax paid		(2,646)	(3,780)	(2,456)	(3,362)
Net cash generated from/(used in) operations		**(3,943)**	**5,129**	**(4,399)**	**4,405**
Investing activities					
Purchase of property & equipment	18	(129)	(255)	(52)	(54)
Purchase of investment property		(7)	(808)	(7)	(808)
Purchase of right to use asset		-	(1,347)	-	-
Purchase of intangible assets	19	(635)	(135)	(404)	(5)
Purchase of financial assets	21	(5,912)	(17,286)	(5,907)	(13,395)
Investment in subsidiary	22	-	-	(0)	(287)
Proceeds from disposal of financial assets	21	1,614	2,024	-	2,024
Proceeds from disposal property plant and equipment		17	-	7	5
Interest received		6,009	5,845	3,227	3,163
Dividend received		298	341	298	341
Net cash generated from/(used in) investing activities		**1,255**	**(11,622)**	**(2,837)**	**(9,015)**
Financing activities					
Borrowings		-	358	-	-
Principal paid on lease liabilities		(495)	(122)	-	-
Interest paid on lease liabilities		57	67	-	-
Dividend paid - ordinary shareholders		-	(4,500)	4,400	(4,500)
Net cash generated from/(used in) financing activities		**(438)**	**(4,197)**	**4,400**	**(4,500)**
Increase/(decrease) in cash and cash equivalents		**(3,126)**	**(10,689)**	**(2,836)**	**(9,110)**
Movement in cash and cash equivalents					
As at 1 January		3,813	14,317	1,766	10,887
Increase/(decrease) in cash and cash equivalents		(3,126)	(10,689)	(2,836)	(9,110)
Effect of exchange rates changes on cash and cash equivalents		-	(25)	-	(11)
Exchange gain (loss)			210	-	-
As at 31 December	27(a)	**686**	**3,813**	**(1,070)**	**1,766**

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

Report of the Auditors' - Pages 9 to 10

1. GENERAL INFORMATION

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

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

With a view to provide better services to customers, Alliance Life Assurance Limited was incorporated in year 2010, as a new subsidiary within the Group, to exclusively transact life assurance business. The new Group started commercial operations from 1 July 2010.

In year 2011, Alliance Insurance Corporation Limited became 99% shareholders of Dar-es-Salaam Properties Limited which was initially an associate with 45% of the shareholdings. Dar-es-Salaam Properties Limited was incorporated on 23 August 2010 as an associate and the company's principal activity is leasing out residential furnished apartments.

In year 2013, the company promoted and incorporated a new company, Alliance Africa General Insurance Limited ("foreign subsidiary") in Uganda with 99% shareholding for transacting general insurance business. The foreign subsidiary commenced operations from December 2014.

In year 2018, the company invested in a new company, Union Insurance Brokers Limited ("foreign subsidiary") in Rwanda which its nature of business was brokerage. Due to unfavourable economic environment the directors decided to cease operations during the year 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

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

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

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

Definition of a business - Amendments to IFRS 3

The amendment:

- confirmed that a business must include inputs and a processes, and clarified that the process must be substantive and that the inputs and process must together significantly contribute to creating outputs.
- narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and
- added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the

The effective date of the amendment is for years beginning on or after January 1, 2020
The Group has adopted the amendment for the first time in the 2020 financial statements.
The impact of the amendment is not material.

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

Definition of Material – Amendments to IAS 1 and IAS 8

The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

The amendment clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
- the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

The effective date of the interpretation is for years beginning on or after January 1, 2020.
The Group has adopted the amendment for the first time in the 2020 financial statements.
The impact of the interpretation is not material.

(ii) Standards and Interpretations early adopted

The Group has chosen not to early-adopt any new or amended standards in the year ended December 31, 2020.

(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, 2021 or later periods:

IFRS 17: Insurance contracts

IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured in each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows
- an explicit risk adjustment, and
- a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

The effective date of the standard was originally 1 January 2021, but extended to 1 January 2023 by the IASB in March 2020

The company expects to adopt the standard for the first time in the 2023 financial statements.
The impact of this standard is currently being assessed.

(B) Critical accounting estimates and assumptions

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

(i) Provision for unearned premium

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

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

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

(d) Critical accounting judgments

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

(i) Government securities

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

(ii) Deferred acquisition costs

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

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

(e) Underwriting results

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

General insurance business

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

Revenue from risks underwritten comprises the fair value of the consideration received or receivable for underwriting the risk in the ordinary course of business less rebates and discounts. The entities recognise revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when the specific criteria have been met for the entities’ activities. The amount of revenue is not considered to be reliably measured until all contingencies relating to the underwriting of the risks have been resolved. The Group entities base their estimates on historical results, taking into consideration the type of customer, type of transaction and specifics of each arrangement.

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

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

General insurance business (continued)

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

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

(f) Commission received

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

(g) Liability adequacy test

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

(h) Salvage and subrogation reimbursements

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

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

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

(i) Reinsurance arrangements

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

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

(j) Translation of foreign currencies

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

(k) Property and equipment

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

Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to a Group entity and the cost can be reliably measured. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred.

Increases in the carrying amount arising on revaluation are credited to other comprehensive income except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. Decrease that offset previous increase of the same asset are charged to other comprehensive income; all other decrease are charged to profit or loss.

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

Asset description	Rate %
Buildings	5.00
Exim Tower interior renovation	20.00
Motor vehicles	20.00
Furniture and fittings	10.00
Office equipment	25.00
Computer equipment	33.33

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

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

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

(l) Intangible assets

Computer software

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

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

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

(m) Financial assets and liabilities

Measurement methods

Amortised cost and effective interest rate

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

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

Interest income

Interest income is recognised using the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Initial recognition and measurement

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

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

Classification and subsequent measurement of financial assets

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

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

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

Debt instruments

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

Classification and subsequent measurement of debt instruments depend on:

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

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 6.1.1 interest income from these financial assets is included in 'Special commission income' using the effective interest method

(m) Financial assets and liabilities

Debt instruments (continued)

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

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

Business model:

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

Solely payments of principal and interest:

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and profit. In making this assessment, the Group considers whether the contractual cash flows are consistent with the lending agreement i.e. profit includes only consideration for the time value of resources, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the year.

Equity instruments

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

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

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

(m) Financial assets and liabilities

Impairment

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

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

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

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

Derecognition of financial assets

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

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

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

Classification and subsequent measurement of financial liabilities

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

Derecognition of financial liabilities

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

Impairment of non-financial assets

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

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

(n) Trade receivables

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

(o) Accounting for leases

The Group assesses whether a contract is, or contains a lease, at the inception of the contract.

A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the group has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgments and sources of estimation uncertainty section of these accounting policies.

A Group entity as a lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the group is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the group recognises the lease payments as an operating expense (note) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated to each lease component on the basis of the relative stand-alone prices of the lease components and the aggregate stand alone price of the non-lease components (where non-lease components exist).

However as an exception to the preceding paragraph, the group has elected not to separate the non-lease components for leases of land and buildings.

Details of leasing arrangements where the group is a lessee are presented in note Leases (group as lessee).

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed lease payments, including in-substance fixed payments, less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement
- the amount expected to be payable by the group under residual value guarantees;
- the exercise price of purchase options, if the group is reasonably certain to exercise the option;
- lease payments in an optional renewal period if the group is reasonably certain to exercise an lease payments in an optional renewal period if the group is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

Lease liability (continued)

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability (or right-of-use asset). The related payments are recognised as an expense in the period incurred and are included in operating expenses.

The lease liability is presented as a separate line item on the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in finance costs.

The group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when:

- there has been a change to the lease term, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change in the assessment of whether the group will exercise a purchase, termination or extension option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change to the lease payments due to a change in an index or a rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- there has been a change in expected payment under a residual value guarantee, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate;
- a lease contract has been modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised payments using a revised discount rate.

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

Right-of-use assets

Right-of-use assets are presented as a separate line item on the Statement of Financial Position.

Lease payments included in the measurement of the lease liability comprise the following:

- the initial amount of the corresponding lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs incurred;
- any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, when the group incurs an obligation to do so, unless these costs are incurred to produce inventories; and
- less any lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. However, if a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of a lease.

For right-of-use assets which are depreciated over their useful lives, the useful lives are determined consistently with items of the same class of property, plant and equipment. Refer to the accounting policy for property, plant and equipment for details of useful lives.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. Each part of a right-of-use asset with a cost that is significant in relation to the total cost of the asset is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

(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). The are statutory defined contribution scheme is registered under the National Social Security Fund Act, 1997. The entities’ contributions to the defined contribution scheme are charged to the statement of comprehensive income in the year to which they relate.

(t) Share capital

Ordinary shares are classified as equity.

(u) Dividends

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

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

(v) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

1. Gross earned premiums

The Company is organised into two main divisions, general insurance which is written by Alliance Insurance Corporation Limited ('the Company') and life assurance which is written by the Company and its subsidiary. Life assurance business relates to the underwriting of risks relating to death of an insured person, and includes contracts subject to the payment of premiums for a term dependent on the termination or continuance of the life of an insured person. General insurance business relates to all other categories of short term insurance business written by the company, analysed into several sub-classes of business based on the nature of the assumed risks. As required by Insurance Act 2009, a new company, Alliance Life Assurance Limited ('Subsidiary') was incorporated for transacting life insurance business in the financial year 2010 and the Company is holding 70% shares. The subsidiary commenced operations from 1 July 2010. Prior to 1 July 2010, both general and life insurance businesses were being written by the Company. In year 2012, the company opened a branch in Comoros for transacting general insurance business. In year 2013, the company promoted and incorporated a new company, Alliance Africa General Insurance Limited ("foreign subsidiary") in Uganda with 99% shareholding for transacting general insurance business. The foreign subsidiary commenced operations from December 2014.
During the year 2017, the company has started transacting health insurance business.

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

	Group	
General insurance business	**2020 Gross earned premium**	**2019 Gross earned premium**
Fire	16,564	17,073
Motor	34,616	39,835
Marine	7,303	6,754
Miscellaneous	10,019	11,463
Engineering	2,921	2,882
Health	2,212	1,898
Comoros operations	-	202
Gross written premium	73,635	80,107
Less: Movement in unearned premium	1,014	(3,136)
Gross earned premium	**74,649**	**76,971**
Life assurance business		
Ordinary life	275	310
Company life	16,015	14,745
	16,290	**15,055**
Total	**90,939**	**92,026**

	Company	
General insurance business	**2020 Gross earned premium**	**2019 Gross earned premium**
Fire	14,766	15,299
Motor	31,449	36,766
Marine	6,416	5,628
Miscellaneous	7,702	9,827
Engineering	1,889	2,029
Health	2,212	1,898
Comoros operations	-	202
Gross written premium	64,434	71,649
Less: Movement in unearned premium	1,368	(2,339)
Gross earned premium	**65,802**	**69,310**

2. Premiums ceded out to reinsurers

	Group	
	2020	**2019**
General insurance business	**Net Reinsurance premiums**	**Net Reinsurance premiums**
Fire	13,433	14,184
Motor	4,627	5,506
Marine	4,612	3,581
Miscellaneous	7,731	9,073
Engineering	2,036	1,952
Health	-	-
Comoros operations	-	59
Gross ceded premium	32,439	34,355
Less: Movement in reinsurer's portion of unearned premium	(15)	(731)
Net reinsurance premium	32,424	33,624
Life assurance business		
Ordinary life	43	81
Group life	5,819	5,134
	5,862	5,215
Total	**38,286**	**38,839**

	Company	
	2020	**2019**
General insurance business	**Net Reinsurance premium**	**Net Reinsurance premium**
Fire	12,240	12,836
Motor	4,435	5,360
Marine	4,342	3,037
Miscellaneous	6,478	8,102
Engineering	1,168	1,193
Health	-	-
Comoros operations	-	59
Gross ceded premium	28,663	30,587
Less: Movement in reinsurer's portion of unearned premium	(15)	(731)
Net reinsurance premium	**28,648**	**29,856**

3. Investment income

	2020 Group	**2019 Group**	**2020 Company**	**2019 Company**
Interest from government securities:				
- ‘amortised cost’	3,273	3,403	3,006	3,203
Interests from fixed deposits				
- amortised cost’	2,736	2,442	1,686	1,485
Interest on loan to subsidiary	-	-	175	214
Dividends income:				
- ‘available - from - sale’	298	341	298	341
Gain on disposal of shares	-	-	-	-
Gain on disposal of unit trusts	-	1,601	-	1,601
Foreign exchange gain/(loss)	64	(25)	130	(11)
	6,371	**7,762**	**5,295**	**6,833**

	2020 Group	2019 Group	2020 Company	2019 Company
4. Commission received				
Gross commissions received	7,444	7,608	5,757	5,608
Movement in deferred acquisition costs	(432)	(214)	-	-
	7,012	**7,394**	**5,757**	**5,608**
5. Other income				
Profit on disposal of property and equipment	7	5	7	5
Miscellaneous Income	48	39	17	17
	55	**44**	**24**	**22**

6. Claims and policyholders benefits payable

	Group			
General insurance business	**Gross**	**Reinsurance share**	**2020 Net**	**2019 Net**
Fire	4,971	(3,200)	1,771	844
Motor	15,703	(2,083)	13,620	12,752
Marine	2,419	(668)	1,751	928
Miscellaneous	2,802	(1,980)	822	545
Engineering	962	(598)	364	726
Health	1,815	-	1,815	1,817
Comoros operations	-	-	-	400
	28,672	(8,529)	20,143	18,012
Change in liabilities				
Change in claims in IBNR Provision	(126)	(117)	(243)	293
Change in claims provisions	(1,297)	(26)	(1,323)	1,698
	(1,423)	(143)	(1,566)	1,991
Total general insurance business	27,249	(8,672)	18,577	20,003
Life assurance business				
Company life	7,676	(4,035)	3,641	4,031
Total	**34,925**	**(12,707)**	**22,218**	**24,034**

	Company			
General insurance business	**Gross**	**Reinsurance share**	**2020 Net**	**2019 Net**
Fire	4,839	(3,104)	1,735	856
Motor	14,049	(1,720)	12,329	12,371
Marine	2,227	(557)	1,670	917
Miscellaneous	2,062	(1,573)	489	566
Engineering	394	(84)	310	753
Health	1,815	-	1,815	1,817
Comoros operations	-	-	-	400
	25,386	(7,038)	18,348	17,680
Change in liabilities				
Change in claims in IBNR Provision	(182)	(61)	(243)	187
Change in claims provisions	(910)	(305)	(1,215)	951
	(1,092)	(366)	(1,458)	1,138
Total general insurance business	24,294	(7,404)	16,890	18,818

	2020 Group	2019 Group	2020 Company	2019 Company
7. Commission expenses				
Gross commission expenses	20,731	18,839	13,721	13,211
Movement in deferred acquisition costs	(897)	(1,265)	(331)	(800)
	19,834	**17,574**	**13,390**	**12,411**

8. Profit before tax

The following items have been charged in arriving at operating profit before tax:				
Staff costs (Note 9)	8,060	7,992	4,983	5,528
Auditors' remuneration	107	105	49	48
Depreciation on plant and equipment (Note 18)	634	612	358	396
Amortisation (Note 19)	8	51	8	51
Net foreign exchange loss/(gain)	(64)	25	(130)	11

9. Staff costs

Staff costs include the following:				
Salaries and wages	6,465	6,296	4,004	4,375
NSSF, SDL and WCF	904	917	620	722
Other staff cost	691	779	359	431
	8,060	**7,992**	**4,983**	**5,528**

10. Tax charge

Current income tax	2,710	3,484	2,358	3,172
Tax charge for prior years	-	-	-	-
Final withholding tax on dividend income	37	38	15	18
Deferred tax charge/(credit) (Note 20)	(595)	(1,703)	(527)	(1,629)
	2,152	**1,819**	**1,846**	**1,561**

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

Profit before tax	8,429	10,461	8,268	10,244
Less: Profit from Long Term Business	-	-	-	-
Profit as restated for effective tax charge	8,429	10,461	8,268	10,244
Tax calculated at a tax rate of 30%	2,529	3,138	2,480	3,073
Tax effect of:				
- tax effect of income not subject to tax	(3,798)	(4,774)	(698)	(1,674)
- expenses not deductible for tax purposes	3,421	3,455	64	162
- Prior year tax charge	-	-	-	-
Foreign tax relief	-	-	-	-
Tax charge	**2,152**	**1,819**	**1,846**	**1,561**

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.

	2020	**2019**
Profit for the year attributable to equity shareholders (Tzs millions)	6,360	8,642
Weighted average number of ordinary shares	230,000	230,000
Earnings per share- basic (in Tzs)	27,652	37,573

There were potentially no diluted shares outstanding as at 31 December 2020 and 31 December 2019.

12. Dividends

A final dividend of Tzs. 4 billion was proposed and declared to the shareholders for the year 2020 (2019: Tzs 4.4 billion).

In accordance with the Tanzanian Companies Act (2002), these financial statements reflect this dividend paid/payable which is accounted for in shareholders' funds as an appropriation of retained profits in the year ended 31 December 2020.

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

The directors have not paid interim dividend for the year ended 31.12.2020(2019: Tzs 1 billion).

13. Share capital

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

14. Statutory reserves

The statutory reserve represents capital reserve and contingency reserves transferred as required by Insurance Regulations whose distribution is subject to restrictions imposed by the Insurance Act, 2009. Movements in the statutory reserve are shown in the statement of changes in equity on pages 15 and 16.

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

15. Revaluation reserves

Movements in the fair value reserve are shown in the note 38.

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

	2020 Group	2019 Group	2019 Company	2019 Company
(i) Long term insurance contracts				
- actuarial value of long term liabilities	8,005	7,209	89	89
- claims reported and claims handling expenses	1,276	1,181	502	502
Total long term	9,281	8,390	591	591
(ii) Short term insurance contracts				
Non-life				
- claims reported and claims handling expenses	23,635	24,891	22,306	23,200
- claims incurred but not reported	4,591	4,817	4,359	4,533
Total non-life	28,226	29,708	26,665	27,733
Total	**37,507**	**38,098**	**27,256**	**28,324**

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 2020, there was no transfer made to the shareholders funds in the year 2020 (2019: 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**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**Total**
At end of Accident Year	47,825	13,318	11,973	11,755	9,348	7,616	6,391	108,227
One year later	61,211	13,536	13,491	13,826	8,792	9,293		120,149
Two years later	64,631	14,625	13,100	12,328	10,576			115,260
Three years later	62,275	13,033	11,604	12,623				99,535
Four years later	62,694	12,355	11,833					86,882
Five years later	63,471	12,399						75,870
Six years later	66,317							66,317
Current estimate of cumulative claims	**66,645**	**12,399**	**11,833**	**12,623**	**10,576**	**9,293**	**6,391**	129,760
Less: Cumulative payments to date	(60,626)	(11,579)	(10,670)	(11,047)	(7,156)	(6,928)	-	(108,006)
Liability in the statement of financial	-							
position	6,019	820	1,163	1,576	3,420	2,365	6,392	21,755
Liability in respect of prior years' IBNR	1,212	164	233	315	684	473	1,278	4,359
	-							
Total Gross Liability included in the statement of financial position	2,449	984	1,396	1,891	4,104	2,838	7,670	26,114
Comoros Operations	-				-	551	-	551
Total	2,449	984	1,396	1,891	4,104	3,389	7,670	26,665

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 2019	5,343	139	730	689	621	287	57	606	8,473
Additions	-	-	-	123	34	15	-	43	215
Capital WIP	-	-	-	-	-	-	-	40	40
Revaluation	187	-	-	-	-	-	-	-	187
Other adjustments			-	28	-	(6)	-	-	22
Disposals	-	-	-	(18)	(9)	-	-	(1)	(28)
Transfers from investment property	1,473	-	-	-	-	-	-	-	1,473
At 31 December 2019	**7,004**	**139**	**730**	**822**	**646**	**296**	**57**	**688**	**10,382**
At 1 January 2020	7,004	139	730	822	646	296	57	688	10,382
Additions	-	-	-	-	7	12	-	66	85
Capital WIP	-	-	-	-	-	-	-	44	44
Disposals	-	-	-	(20)	-	-	-	-	(20)
At 31 December 2020	**7,004**	**139**	**730**	**802**	**653**	**308**	**57**	**798**	**10,491**
Depreciation									
At 1 January 2019	2,040	139	280	494	453	232	49	489	4,177
Charge for the year									
- on cost	227	-	112	105	42	37	8	65	596
- on revaluation	54	-	-	-	-	-	-	-	54
Impairment	-	-	-	10	17	-	-	7	34
At 31 December 2019	**2,321**	**139**	**392**	**609**	**512**	**269**	**57**	**561**	**4,861**
At 1 January 2020	2,321	139	392	609	512	269	57	561	4,861
Charge for the year									
- on cost	295	-	112	74	50	25	-	79	634
- on revaluation	58	-	-	-	-	-	-	-	58
Disposals/write off	-	-	-	(27)	-	-	-	-	(27)
Other adjustments	-	-	112	-	(112)	-	-	-	-
At 31 December 2020	**2,673**	**139**	**616**	**656**	**450**	**294**	**57**	**640**	**5,526**
Net book value									
At 31 December 2019	**4,683**	**-**	**338**	**213**	**134**	**27**	**-**	**127**	**5,522**
At 31 December 2020	**4,331**	**-**	**114**	**145**	**203**	**14**	**-**	**158**	**4,966**

The building was revalued in December 2019 by independent professional valuers named Property Consultancy and Services Limited on the basis of market value for buildings. The book value of building was adjusted to the revaluation and the surplus net of deferred tax was credited to the revaluation reserve in shareholders' equity.

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

18.(a) Property and equipment (continued)

	Company						
	Buildings	**Exim Tower Expenses**	**Motor Vehicles**	**Furniture and Fittings**	**Office Equipment**	**Computer Equipment**	**Total**
	TZS.	TZS.	TZS.	TZS.	TZS.	TZS.	TZS.
Year 2019							
Cost							
At 1 January 2019	2,477	730	488	354	226	461	4,736
Revaluation	187	-	-	-	-	-	187
Additions	-	-	6	8	12	28	54
Other adjustments		4	28	28	(19)	2	42
Transfers	-	-	-			-	-
Disposals	-	-	(18)	(9)	-	(1)	(28)
At 31 December 2019	**2,664**	**734**	**504**	**381**	**219**	**490**	**4,991**
Depreciation							
At 1 January 2019	975	280	346	313	179	381	2,474
Charge for the year							
- on cost	115	112	74	19	30	46	396
- on revaluation	22	-	-	-	-	-	22
Other adjustments	(2)	4	23	11	(7)	1	31
Impairment	-	-	10	17	-	7	34
At 31 December 2019	**1,112**	**396**	**453**	**360**	**202**	**435**	**2,957**
Year 2020							
Cost							
At 1 January 2020	2,664	734	504	381	219	490	4,991
Revaluation	-	-	-	-	-	-	-
Additions	-	-	-	-	12	40	52
Disposals	-	-	(27)	-	-	-	(27)
At 31 December 2020	**2,664**	**734**	**477**	**381**	**231**	**530**	**5,016**
Depreciation							
At 1 January 2020	1,112	396	453	360	202	435	2,957
Charge for the year							
- on cost	107	112	45	26	11	57	358
- on revaluation	26	-	-	-	-	-	26
Other adjustments	-	112	-	(112)	-	-	-
Depreciation on disposal	-	-	(27)	-	-	-	(27)
At 31 December 2020	**1,245**	**620**	**471**	**274**	**213**	**492**	**3,314**
Net book value							
At 31 December 2019	**1,552**	**338**	**50**	**20**	**17**	**54**	**2,034**
At 31 December 2020	**1,419**	**114**	**5**	**106**	**18**	**37**	**1,702**

The building was revalued in December 2019 by independent professional valuers named Property Consultancy and Services Limited on the basis of market value for buildings. The book value of building was adjusted to the revaluation and the surplus net of deferred tax was credited to the revaluation reserve in shareholders' equity.

	2020 Group	2019 Group	2020 Company	2019 Company
18 (b). Investment property				
At start of year	808	1,473	808	-
Additions	7	808	7	808
Transfers to property	-	(1,473)	-	-
At the end of year	**815**	**808**	**815**	**808**

19. Intangible assets

Softwares

	2020 Group	2019 Group	2020 Company	2019 Company
Cost				
At start of year	485	511	347	342
Additions	404	5	404	5
Write off	-	(161)	-	-
Capital WIP-Life admin software	231	130	-	-
At the end of year	1,120	485	751	347
Depreciation				
At start of year	347	296	340	289
Charge for the year	8	51	8	51
At end of year	355	347	348	340
Net book value	**765**	**138**	**403**	**7**

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% (2019: 30%). The movement on the deferred tax account is as follows:

	2020 Group	2019 Group	2020 Company	2019 Company
At start of year	(1,890)	(173)	(1,758)	(128)
Income Statement (credit)/charge	(595)	(1,703)	(527)	(1,629)
Charge to equity (Revaluation Reserve)	124	(15)	123	(1)
At end of year	(2,362)	(1,890)	(2,162)	(1,758)

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 2020	**At start of year**	**Charge/ (Credit) to PLOCI**	**At end of year**
Deferred tax liabilities			
Excess capital allowances	182	(49)	133
Unrealised exchange differences	15	(48)	(33)
	197	(97)	100
Deferred tax assets			
Provision for staff leave	(13)	-	(13)
Provisions for bad debts	(1,118)	(40)	(1,159)
Other temporary difference	(956)	(334)	(1,290)
	(2,088)	(374)	(2,461)
Deferred tax liability/(asset)	(1,890)	(471)	(2,362)

20. Deferred tax (continued)

	2020 Group	2019 Group
Deferred tax asset	(2,362)	(1,890)
Deferred tax liability	-	-
Net deferred tax liability/(asset)	(2,362)	(1,890)

	Company		
Year ended 31 December 2020	**At start of year**	**Charge/ (Credit) to PLOCI**	**At end of year**
Deferred tax liabilities			
Excess capital allowances	124	(27)	97
Deferred acquisition	-	-	-
Unrealised exchange differences	(3)	(36)	(39)
	121	(63)	58
Deferred tax assets			
Provision for staff leave	(13)	-	(13)
Provision for impairment loss	(903)	4	(899)
Other temporary differences	(963)	(345)	(1,308)
	(1,879)	(341)	(2,220)
Net deferred tax liability/(asset)	(1,758)	(404)	(2,162)

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

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

	2020 Group	2019 Group	2020 Company	2019 Company
(i) Listed securities	6,678	6,021	6,237	5,605
(ii) Unlisted securities	1,259	1,233	1,003	1,003
	7,937	7,254	7,240	6,608

21(b) Financial assets at amortised cost

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

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

	2020 Group	2019 Group	2020 Company	2019 Company
Fixed deposits and Corporate bonds	44,130	43,952	29,814	30765
Treasury bonds	22,186	22,622	20,071	20,647
	66,316	66,573	49,885	51,412
Less: loss allowance for investments at amortised cost	(599)	(628)	(469)	(484)
	65,717	65,946	49,416	50,928

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

22. Investments accounted for using the equity method

	Country of Incorporation	Holdings	2020 Company	2019 Company
Shares at fair value				
Alliance Life Assurance Limited	Tanzania	70.00%	4,436	4,436
Dar es Salaam Properties Limited	Tanzania	99.90%	56	56
Alliance Africa General Insurance Limited	Uganda	99.90%	2,799	2,799
Union Insurance Brokers Limited	Rwanda	99.90%	421	421
			7,712	7,712

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.

Union Insurance Brokers Limited

The parent company subscribed shares of TSh 421 million for Union Insurance Brokers Limited on incorporation of the entity. On 6 March 2020, the Group made the decision to wind-up the operations of the subsidiary w.e.f. 16 March 2020. Final approval from Rwanda Revenue Authority to shut-down the subsidiary is being awaited to impair the value of investment in the standalone financial statements. However impairment will not have any impact on the consolidated financial statements of the Group.

23. Receivables arising out of direct insurance arrangements

	2020 Group	2019 Group	2020 Company	2019 Company
Gross receivables arising out of direct insurance arrangements	10,943	8,873	6,488	4,608
Less: provision for impairment	(3,331)	(3,183)	(2,527)	(2,527)
Net receivables arising out of direct insurance	7,612	5,690	3,961	2,081
Movement in provision for impairment				
At start of year	3,183	4,353	2,527	2,255
Additions	148	(1,442)	-	-
(Written off)/recovered	-	272	-	272
	3,331	3,183	2,527	2,527

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

24. Reinsurers’ share of insurance contract liabilities

Reinsurers’ share of:

- unearned premium	12,753	12,738	11,380	11,365
- reinsurance share of IBNR	1,738	1,731	1,624	1,563
- notified claims outstanding	11,032	10,941	8,851	8,534
	25,523	25,410	21,855	21,462

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

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

		2020 Group	2019 Group	2020 Company	2019 Company
25.	**Deferred acquisition costs**				
	At start of year	3,319	2,239	2,692	1,892
	Net increase/(decrease)	481	1,080	331	800
	At end of year	3,800	3,319	3,023	2,692
26.	**Other receivables**				
	Prepayments	267	442	43	154
	Other advances	1,282	1,429	1,612	2,017
		1,550	1,872	1,655	2,171
27(a).	**Cash and cash equivalents**				
	Cash and bank balances	686	3,813	(1,070)	1,766

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

	2020 Group	2019 Group	2020 Company	2019 Company
Cash and bank balances	3,417	5,457	1,148	3,410
Bank overdraft (Note 27(b)	(2,731)	(1,644)	(2,218)	(1,644)
	686	3,813	(1,070)	1,766

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

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

	2020 Group	2019 Group	2020 Company	2019 Company
Tanzania Shillings	2,065	2,267	495	323
US Dollar	792	1,341	619	1,297
Comoros Francs	34	1,790	34	1,790
Uganda Shillings	526	50	-	-
Rwandan franc	-	9	-	-
	3,417	5,457	1,148	3,410

27(b). Borrowings

The borrowings is made up as follows:

	2020 Group	2019 Group	2020 Company	2019 Company
Bank overdraft	2,731	1,644	2,218	1,644
	2,731	1,644	2,218	1,644

28 Leases

	2020 Group	2019 Group	2020 Company	2019 Company
Right-of-use assets				
As at 01 January	924	-	-	-
Additions	-	1,347	-	-
Foreign exchange movements	7	-		
Depreciation	(426)	(423)	-	-
As at 31 December	506	924	-	-
Lease liability				
As at 01 January	970	-	-	-
Additions	-	1,024	-	-
Covid-19 concession	(9)	-	-	-
Foreign exchange movements	8	-	-	-
Lease payments	(495)	(122)	-	-
Lease liability interest expense	87	67	-	-
Total lease liability as at 31 December	560	970	-	-

29. Provisions for unearned premium and unexpired risks

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

	Group					
	2020			2019		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At start of year (restated)	32,126	(12,738)	19,388	28,984	(12,007)	16,977
Increase during the year (net)	(1,014)	(15)	(1,029)	3,136	(731)	2,405
At end of year	31,112	(12,753)	18,359	32,120	(12,738)	19,382

	Company					
	2020			2019		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At start of year	27,053	(11,364)	15,689	24,714	(10,633)	14,081
Increase during the year (net)	(1,368)	(15)	(1,383)	2,339	(731)	1,608
At end of year	25,685	(11,379)	14,306	27,053	(11,364)	15,689

30. Other payables

	2020 Group	2019 Group	2020 Company	2019 Company
Accrued expenses	2,640	1,200	2,088	818
Stale and cancelled cheques	314	434	314	434
Withholding tax	710	765	246	492
Payables to related party (Note 32(b))	435	477	10	10
Other payables	1,178	1,857	85	83
	5,278	4,733	2,744	1,837

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

31. Contingent liabilities

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

The company is subject to solvency regulations in respect of its insurance and investment contracts, and had complied with those regulations as at 31 December 2020.

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

	2020 Group	2019 Group	2020 Company	2019 Company
Profit before tax	8,429	10,461	8,322	10,244
Adjustments for:				
Prior year adjustment - IFRS9 implementation	-	-		
Impairment is assets property and equipment	-	34	-	34
Impairment loss	(60)	(21)	(14)	105
Gain on property and equipment	(7)	(5)	(7)	(5)
Gain on disposal of unit trusts	-	(1,601)	-	(1,601)
Net foreign exchange losses/(gains) (Note 7)	(64)	25	(67)	11
Interest income (Note 3)	(6,009)	(5,845)	(4,867)	(4,902)
Depreciation and amortization (Note 18)	642	663	366	447
Depreciation of right-of-use assets	426	423	-	-
Dividend income (Note 3)	(298)	(341)	(298)	(341)
Changes in working capital:				
- Insurance contract and other payables	(1,054)	3,515	(1,529)	(1,066)
- Reinsurance arrangement creditors	(333)	3,657	(789)	5,776
- Insurance contracts and other receivables	(2,080)	(3,227)	(1,695)	(3,407)
- Reinsurance arrangement debtors	(777)	(171)	(971)	(23)
- Reinsurance share of insurance contract liabilities	(113)	1,348	(393)	2,500
Cash generated from/(used in) operations	**(1,297)**	**8,909**	**(1,943)**	**7,767**

33. Related party transactions and balances

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

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

		2020	2019	2020	2019
(a)	**Transactions with related parties**	**Group**	**Group**	**Company**	**Company**
	Gross earned premium :				
	Union Trust Investment Limited	9	9	9	9
	MAC-UTI Properties Limited	73	72	73	72
	The Heritage Insurance Company Tanzania Limited	735	712	735	712
	Strategis Insurance (Tanzania) Limited	2,656	2,283	2,295	1,922
	Alliance Life Assurance Limited	-	-	11	11
	Net claims incurred :				
	Union Trust Investment Limited	0	5	0	5
	The Heritage Insurance Company Tanzania Limited	28	528	28	528
	Strategis Insurance (Tanzania) Limited	1,892	1,894	1,815	1,817
	Service from related party :				
	MAC-UTI Properties Limited	521	501	101	81
	Strategis Insurance (Tanzania) Limited	205	201	191	187
	Alliance Life	-	-	83	32
	Dar es Salaam Properties Limited	-	-	242	240
(b)	**Outstanding balances with related parties**				
	Payables to related parties:				
	Alliance Life Assurance Limited	-	-	10	-
			-	10	-
(c)	**Loan to subsidiary**				
	Dar es Salaam Properties Limited	-	-	3,050	3,050

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

		2020 Group	2019 Group	2020 Company	2019 Company
(d)	**Investment in equity**				
	Alliance Life Assurance Limited	-	-	4,436	4,436
	Dar es Salaam Properties Limited	-	-	56	56
	Alliance Africa General Insurance Limited	-	-	2,799	2,799
	Union Insurance Brokers Limited			421	421
		-	-	7,712	7,712
(e)	**Directors' remuneration**				
	- Directors' fees	331	325	106	103
(f)	**Key management compensation**				
	Salaries	2,633	3,020	1,286	1,690
	Social security benefit cost	181	221	129	169
		2,814	3,241	1,415	1,859

34. Disclosure of fair value of financial assets

(a) Fair values of financial assets

	Group 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
A. Quoted investments	6,678	-	-	6,678
B. Unquoted investments	-	-	1,259	1,259
	6,678	-	1,259	7,937
	Company 2020			
Financial assets				
A. Quoted investments	6,237	-	-	6,237
B. Unquoted investments	-	-	1,003	1,003
	6,237	-	1,003	7,240

(b) Reconciliation of Level 3 fair values	**2019 Group**	**2019 Group**	**2020 Company**	**2019 Company**
At start of year	1,233	739	981	915
Additions	-	-	-	-
Total gains/losses in:				
- other comprehensive income	26	494	22	66
At end of year	**1,259**	**1,233**	**1,003**	**981**

35. Risk management objectives and policies

(a) Insurance risk management

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

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

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

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

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

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

35. Risk management objectives and policies (continued)

Sensitivity to Insurance risk

Change in assumptions and sensitivity analysis

General insurance

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

- Chain ladder
- Bench marking and
- Expected loss ratio

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

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

General insurance (continued)

	2020	2019	2020	2019
Impact on pre-tax profit	**Group**	**Group**	**Company**	**Company**
5 % increase in loss ratios				
Gross	(3,732)	(3,849)	(3,290)	(3,466)
Net	(2,111)	(2,167)	(1,858)	(1,973)
5% decrease in loss ratios				
Gross	3,732	3,849	3,290	3,466
Net	2,111	2,167	1,858	1,973
10% increase in expenses				
Gross	(1,572)	(1,638)	(964)	(1,034)
Net	(1,572)	(1,638)	(964)	(1,034)
Impact on equity				
5 % increase in loss ratios				
Gross	(2,613)	(2,694)	(2,303)	(2,426)
Net	(1,478)	(1,517)	(1,300)	(1,381)
5% decrease in loss ratios				
Gross	2,613	2,694	2,303	2,426
Net	1,478	1,517	1,300	1,381
10% increase in expenses				
Gross	(1,100)	(1,146)	(675)	(724)
Net	(1,100)	(1,146)	(675)	(724)

Concentration of insurance risk

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

35. Risk management objectives and policies (continued)

Concentration of insurance risk (continued)

General Insurance

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

	Group				
			2020		2019
Short term Business	**Before Reinsurance Claims**	**Reinsurance Recoveries**	**Net Outstanding Claims**	**% percentage**	**Net Outstanding Claims**
Fire	44,126	41,545	2,581	14.7%	1,190
Motor	450,623	439,982	10,641	60.5%	14,459
Marine	192,907	190,728	2,179	12.4%	1,434
Engineering	179,554	179,193	361	2.1%	563
Miscellaneous	253,003	251,725	1,278	7.3%	1,004
Health	-	-	-	0.0%	114
Comoros operations	551	-	551	3.1%	534
	1,120,765	1,103,173	17,591	100%	19,298

	Company				
			2020		2019
Short term Business	**Before Reinsurance Claims**	**Reinsurance Recoveries**	**Net Outstanding Claims**	**% percentage**	**Net Outstanding Claims**
Fire	7,410	4,857	2,553	15.2%	1,138
Motor	12,261	1,953	10,308	61.5%	14,023
Marine	3,001	966	2,035	12.1%	1,341
Engineering	455	230	225	1.3%	464
Miscellaneous	2,978	1,890	1,088	6.5%	745
Health	-	-	-	0.0%	114
Comoros operations	551	-	551	3.3%	534
	26,656	9,896	16,760	100%	18,359

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				
			2020		2019
Business	**Before Reinsurance Claims**	**Reinsurance Recoveries**	**Net Outstanding Claims**	**% percentage**	**Net Outstanding Claims**
Ordinary life	-	-	-	0	-
Company life	8,392	645	7,747	100%	7,747
	8,392	645	7,747	100%	7,747

35. Risk management objectives and policies (continued)

Concentration of insurance risk (continued)

Life insurance (continued)	Company				
			2020		2019
Business	**Before Reinsurance Claims**	**Reinsurance Recoveries**	**Net Outstanding Claims**	**% percentage**	**Net Outstanding Claims**
Ordinary life	-	-	-	0	-
Company life	592	298	294	100%	294
	592	298	294	100%	294

(b) Financial risk management

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

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

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

(i) Market Risk

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

At 31 December 2020, 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. 66 m (2019: Tzs. 42 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.66 m (2019: Tzs. 42 m) lower.

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

Effect on post tax profit	**2020 Group**	**2019 Group**	**2020 Company**	**2019 Company**
Government securities increase	155	158	157	157
Deposits with banks increase	309	308	207	207
Net effect on post tax profit	464	466	364	364

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

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

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

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

	Group	**Group**	**Company**	**Company**
Effect on the post tax profit				
- Decrease	(397)	(363)	-	-

35. Risk management objectives and policies (continued)

(b) Financial risk management (continued)

(ii) Credit risk

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

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

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

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

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

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

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

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

Credit risk measurement

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

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

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

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

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

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

35. Risk management objectives and policies (continued)

(b) Financial risk management (continued)

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

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

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

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

Credit risk measurement

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

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

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

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

35. Risk management objectives and policies (continued)

(b) Financial risk management (continued)

Credit risk measurement (continued)

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

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

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

	31 December 2020				2019
Financial statement line item	Stage 12 month ECL	Stage Lifetime ECL	Stage 3 Lifetime ECL	**Total**	**Total**
Bank balances and cash	1,148	-	-	1,148	3,410
Held-to-maturity investments/ Financial assets at amortised cost	49,885	-	-	49,885	50,928
Receivables arising out of direct insurance arrangements	6,122	-	-	6,122	2,081
Reinsurance arrangement debtors	1,975	-	-	1,975	1,004
Gross carrying amount	59,130	-	-	59,130	57,423
Loss allowance	(2,630)			(2,630)	(2,644)
Carrying amount	56,500	-	-	56,500	54,779

Maximum exposure to credit risk – financial instruments subject to ECL

	31 December 2020				31 December 2019
Credit grade	Stage 12 month ECL	Stage Lifetime ECL	Stage 3 Lifetime ECL	**Total**	Total
Investment grade	20,071	-	-	20,071	20,787
Non-investment grade	39,059	-	-	39,059	36,636
Standard monitoring	-	-	-	-	-
Special monitoring	-	-	-	-	-
Default	-			-	-
Gross carrying amount	59,130	-	-	59,130	57,423
Loss allowance	(2,630)			(2,630)	(2,644)
Carrying amount	56,500	-	-	56,500	54,779

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

b) Loss allowance

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

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

35. Risk management objectives and policies (continued)

Credit risk measurement (continued)

b) Loss allowance (continued)

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

	Stage 12 month ECL	Stage Lifetime ECL	Stage 3 Lifetime ECL	**2020 Total**	**2019 Total**
Loss allowance as at 1 January 2020	2,644	-	-	2,644	2,539
Movements with the statement of income impact					
Transfers:					
Transfer from stage 1 to stage 2	-	-	-	-	-
Transfer from stage 1 to stage 3	-	-	-	-	-
Transfer from stage 2 to stage 1	-	-	-	-	-
New financial assets originated or purchased	220	-	-	220	280
Net remeasurement of loss allowance	-	-	-	0.00	-
Financial assets derecognised during the year	(234)	-	-	(234)	(175)
Write-offs	-	-	-	-	-
Total loss allowance for the year 2020	(14)	-	-	(14)	56
Loss allowance as at 31 December 2020	**2,630**	**0.00**	**0.00**	**2,630**	**2,644**

a) **Credit risk**

The analysis of the credit ratings of the investment portfolio (IFRS 9) is as follows:	***2020***	***2019***
Moody's' equivalent (B2)	**20,071**	16,195
Non-graded investments	**39,059**	20,420
	59,130	36,615

(c) Liquidity risk

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

The table below summarises the maturity analysis of financial liabilities

		Group		
	0 to 1 month	**1 to 3 months**	**3 to 12 months**	**Total**
Year ended 31 December 2020				
Payables arising from reinsurance arrangements	10,832	786	1,465	13,083
Other payables	5,278	-	-	5,278
	16,110	786	1,465	18,361
Year ended 31 December 2019				
Payables arising from reinsurance arrangements	11,590	994	832	13,416
Other payables	4,733	-	-	4,733
	16,323	994	832	18,149

35. **Risk management objectives and policies (continued)**

(c) Liquidity risk (continued)

Year ended 31 December 2020		**Company**		
Payables arising from reinsurance arrangements	9,724	786	1,465	11,975
Other payables	2,297	424	23	2,744
	12,021	1,210	1,488	14,719
Year ended 31 December 2019				
Payables arising from reinsurance arrangements	5,162	994	832	12,764
Other payables	3,147	-	-	1,837
	8,309	994	832	14,601

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

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

36 Fair value of financial instruments

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

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

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

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

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

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

Determination of fair value and fair value hierarchy

As at 31 December 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through other comprehensive income – Quoted securities	6,678	-	-	6,678
Financial assets at fair value through other comprehensive income – Unquoted	-	-	1,259	1,259
			-	-
Total	6,678	-	1,259	7,937
As at 31 December 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through other comprehensive income – Quoted securities	6,021	-	-	6,021
Financial assets at fair value through other comprehensive income – Unquoted	-	-	1,233	1,233
				-
Total	6,021	-	1,233	7,254

36 Fair value of financial instruments (continued)

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

During the year ended 31 December 2020, there were no transfers between the levels of fair value hierarchies during the year.

The fair value increase of Tzs 487 million (2019: decrease of 167 million) in respect of FVOCI equity investments was recorded in statement of other comprehensive income.

37. Capital management

The company's objectives when managing capital are:

Externally imposed capital requirements

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

The Insurance Act,2009 requires the following:

- issued and fully paid up share capital must be Tzs 2,108,743,869 and
- a solvency margin (admitted assets less admitted liabilities) of 20% of Net Premium or One Thousand Thirty Two Million Eight Hundred and Ninety Seven Thousand Three Hundred and Ninety Shillings, whichever is higher.

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

38. Movement in revaluation reserve

	2020 Group	2019 Group	2020 Company	2019 Company
Property and equipment - Buildings	539	580	267	285
Available-for-sale financial assets	5,173	4,832	1,900	1,595
Total revaluation reserve	5,712	5,412	2,167	1,880
Property and equipment- Buildings				
At start of year	580	487	285	169
Revaluation surplus/(charge) (net)	-	187	-	187
Deferred tax on (gain)/charge (net)	-	(56)	-	(56)
Depreciation charge on revaluation part of property	(58)	(54)	(26)	(22)
Reversal of deferred tax charge on gain on revaluation of prop	17	16	8	7
At end of year	539	580	267	285
Financial assets				
At start of year	4,832	5,030	1,595	1,793
Fair value gain/(charge)	487	(167)	436	(167)
Sale of UTT Shares	-	(81)	-	(81)
Deferred tax on (gain)/charge	(146)	50	(131)	50
At end of year	5,173	4,832	1,900	1,595

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

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

39. Country of incorporation

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

40. Impact of COVID 19

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

41. Group Companies

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

- Alliance Life Assurance Limited, Tanzania
- Dar es Salaam Properties Limited, Tanzania
- Alliance Africa General Insurance Limited, Uganda (Foreign subsidiary)
- Union Insurance Brokers Limited, Rwanda (Foreign subsidiary operations ceased during the year 2020)

42. 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 life assurance business revenue account 2020

	Ordinary Life Business	Group Life Business	Total 2020	Total 2019
Gross earned premium	275	16,015	16,290	15,055
Reinsurance premium ceded	(43)	(5,819)	(5,862)	(5,215)
Net earned premium	232	10,196	10,428	9,840
Investment income	17	996	1,013	904
Other Income	8	479	487	786
Total Income	257	11,671	11,928	11,530
Policy holders' benefit:				
Life and health claims	116	6,765	6,881	7,556
Change in actuarial value of policyholder benefits	13	782	795	1,728
Less: amounts recoverable from reinsurers	(30)	(4,005)	(4,035)	(5,253)
Net claims and policyholder benefits payable	99	3,542	3,641	4,031
Operating and other expenses	58	3,360	3,418	3,071
Commissions expense	36	4,856	4,892	3,940
Total expenses	193	11,758	11,951	11,042
Net profit before tax – life business	64	(87)	(23)	488
Tax charge	696	(950)	(254)	(224)
Life business profit after tax	760	(1,037)	(277)	264
Policyholders				
- actuarial liabilities	176	7,829	8,005	7,210

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

Company General insurance business revenue account 2020

	Fire Tzs.' Millions	Motor Tzs.' Millions	Marine Tzs.' Millions	Misc. Tzs.' Millions	Engineering Tzs.' Millions	Health Tzs.' Millions	Comoros Tzs.' Millions	Total 2020 Tzs.' Millions	Total 2019 Tzs.' Millions
Gross written Premium	14,766	31,449	6,416	7,702	1,889	2,212	-	64,434	71,649
Reinsurance premium ceded	(12,240)	(4,435)	(4,342)	(6,478)	(1,168)	-	-	(28,663)	(30,587)
Net written premium	**2,526**	**27,014**	**2,074**	**1,224**	**721**	**2,212**	**-**	**35,771**	**41,062**
Change in UPR	62	1,310	18	17	(39)	-	-	1,368	(1,609)
Net Earned Premium	**2,588**	**28,324**	**2,092**	**1,241**	**682**	**2,212**	**-**	**37,139**	**39,453**
Gross Claims paid	(4,839)	(14,049)	(2,227)	(2,062)	(394)	(1,815)	-	(25,386)	(29,542)
Change in gross claim	(1,710)	3,013	(666)	103	239	114	-	1,093	2,368
Less: Reinsurance recoverable	3,398	2,421	529	1,128	(71)	-	-	7,405	8,356
Incurred Claims	**(3,151)**	**(8,615)**	**(2,364)**	**(831)**	**(226)**	**(1,701)**	**-**	**(16,888)**	**(18,818)**
Commission income	2,676	649	488	1,627	319	-	-	5,759	5,608
Commission expense	(4,343)	(5,006)	(1,308)	(1,962)	(439)	(332)	-	(13,389)	(12,410)
Expenses of Management	(2,120)	(4,516)	(921)	(1,106)	(271)	(318)	(24)	(9,276)	(9,892)
Total Expenses	**(6,938)**	**(17,488)**	**(4,105)**	**(2,272)**	**(617)**	**(2,351)**	**(24)**	**(33,794)**	**(35,512)**
Underwriting (loss)/profit 2020	**(4,350)**	**10,836**	**(2,013)**	**(1,031)**	**65**	**(139)**	**(24)**	**3,345**	**3,941**
Underwriting (loss)/profit 2019	**(1,810)**	**7,936**	**13**	**(1,375)**	**(164)**	**(138)**	**(522)**	**3,941**	**3,941**
Loss ratio(net claims incurred/net earned premium)	**122%**	**30%**	**113%**	**67%**	**33%**	**77%**	**0%**	**45%**	**48%**
Commission ratio(commission payable/ gross premium written)	**29%**	**16%**	**20%**	**25%**	**23%**	**15%**	**0%**	**21%**	**17%**
Expense ratio(management expenses/gross written premium)	**14%**	**14%**	**14%**	**14%**	**14%**	**14%**	**0%**	**14%**	**14%**

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

Company life assurance business revenue account 2020

	Ordinary Life Business	Group Life Business	Total 2020	Total 2019
Gross earned premium	-	-	-	-
Reinsurance premium ceded	-	-	-	-
Net earned premium	-	-	-	-
Investment income	-	-	-	-
Other Income	-	-	-	-
Total Income	-	-	-	-
Policy holders' benefit:				
Life and health claims	-	-	-	-
Change in actuarial value of policyholder benefits	-	-	-	-
Less: amounts recoverable from reinsurers	-	-	-	-
Net claims and policyholder benefits payable	-	-	-	-
Operating and other expenses	-	-	-	-
Commissions expense	-	-	-	-
Total expenses	-	-	-	-
Net profit before tax – life business	-	-	-	-
Tax charge	-	-	-	-
Life business profit after tax	-	-	-	-
Policyholders				
- actuarial liabilities	-	89	89	89