ALLIANCE INSURANCE CORPORATION LIMITED

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2016

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BOARD OF DIRECTORS	Mr. Shaffin Jamal	Tanzanian
	Mr. Yogesh Manek	Tanzanian
	Mr. Narendra P Thaker	Kenyan
	Dr. Alex Ngulumа	Tanzanian
	Mr. Kalpesh Mehta	British
CHIEF OFFICERS	Mr. K V A Krishnan	Group Managing Director
	Mr. Rajiv Ranjan	Chief Executive Officer
	Mr. Sunil Theruvel	Finance Controller/Company Secretary
	Mr. Sunder B. Nayak	General Manager Technical
	Mr. Gustaph Dimoso	Manager - Underwriting
	Mr. Rajeev Deshpande	General Manager Operations
	Ms. Barbara Thompson	Branch Manager, Arusha
	Mr. Vishwadeep Chaliha	Director National, Comoros

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

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

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

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

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

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

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

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

CHAIRMAN'S STATEMENT

Dear Shareholder,

It is my pleasure to present to you the Annual Report and Financial Statements for the year ended 31st December 2016. I am delighted to report that your Company has once again shown strong and solid performance under all parameters of performance, including business growth, underwriting results & investment income, surpassing industry benchmarks, remaining at the top of the Insurance Industry.

ECONOMIC OUTLOOK

There has been a focus on Infrastructure development in Tanzania and we have seen announcements regarding large infrastructure projects. The focus is on transportation, roads, mining, power and oil & gas. Tanzania has had a mixed experience with public private partnerships and it needs to be strengthened in the coming days.

The Central Bank has been taking steps to stimulate the economy however we have seen a sharp slowdown in private sector credit growth over last year as a result of greater non-performing loans. Despite sluggish private lending, Tanzania's economy has expanded at a healthy pace in 2016 on the back of strong infrastructure investment and subdued global oil prices, which more than offset a weaker showing from the agricultural sector due to poor weather.

With our expansion strategy we stand committed to actively participate in the economic development of Tanzania and East Africa as a whole.

BUSINESS OPERATIONS

The total Gross Written Premium of the Tanzanian operations for 2016 has grown to TZS 71.93bn. against TZS 70.95 bn. in 2015. The company had a strong investment income of TZS 5.47 bn. and generated a Profit before Tax TZS 7.69 bn.

Our efforts towards the Regional expansion have started bearing fruit. I am pleased to inform that the Ugandan operation has shown a robust growth of 69% in 2016. Comoros operations witnessed a growth of 20% on the premium and also added to our profits.

We are continuously striving to expand in the East African markets.

New Initiatives

As promised earlier our continuous efforts on increasing customer service has helped us in getting the support of our partners and clients. The year 2016 saw the implementation of system integration with our partners for seamless data flow and quicker response time. This initiative significantly reduced the policy preparation time. While the focus on customer service will continue, the year 2017 will witness an increased focus on supplementing our distribution efforts through the use of technology.

Human Resource Capacity Development

In line with our commitment to develop local talent and prepare them for taking up higher responsibilities, we are taking all necessary steps to nurture our human resources and groom them into future leaders. Our effort on training and mentoring our employees continues unabated. We have now created a state of art training facility which will be utilized for training our employees.

INDUSTRY RECOGNITION

The Industry has been recognizing Alliance in the past and we continued to win the accolades in 2016.

- We have been awarded the President's Manufacturer of the Year (PMAYA) Award for the seventh time for being first in the financial services sector.
- GCR has continued our rating of AA-(TZ) which is the HIGHEST RATING of an Insurance Company in Tanzania.

CHAIRMAN'S STATEMENT (CONTINUED)

ACKNOWLEDGEMENT

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

My sincere gratitude goes to our valued Clientele, the Broking fraternity, our Agents and all our associates for their continuous support and affirming their faith in our company which enabled us to reach our goals.

All the above would not have been possible without the sustained contribution of all our employees that has helped deliver a robust result in 2016.

All my fellow directors on the Board have been guiding the Company's operations towards success over the years for which I sincerely thank them and look forward to their invaluable contribution in future as well.

……………………………
Shaffin Jamal
Chairman
Date: March 28, 2017

DIRECTORS' REPORT

The directors submit their report and the audited financial statements for the year ended 31 December 2016, which disclose the state of affairs of the company.

1. PRINCIPAL ACTIVITIES

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

2. GROUP RESULTS

Particulars	**2016 TZS. Millions**	**2015 TZS. Millions**
Profit before tax	7,697	8,721
Tax charge	(1,860)	(2,147)
Profit for the year	**5,837**	**6,574**

3. SHARE CAPITAL

The issued and paid up share capital of the company is Tzs. 10,000,000,000 (2015: Tzs 10,000,000,000).

4. DIVIDEND

Interim dividend of Tzs 2.1 billion was declared and paid to shareholders during the year (2015: NIL). The directors propose a final dividend of Tzs. 1,871 million (2015: 3,158 million) for the year.

5. DIRECTORS

The directors of the company at the date of this report, who held office since 1 January 2016, except as otherwise stated are:

Name	**Nationality**	**Date of appointment**	**Position**	**Age**
Shaffin Jamal	Tanzanian	24-01-1996	Chairman	46
Yogesh M Manek	Tanzanian	01-01-2004	Director	62
Narendra P Thaker	Kenyan	26-12-1998	Director	84
Dr. Alex Nguluma	Tanzanian	01-12-2000	Director	64
Kalpesh Mehta	Tanzanian	01-11-2013	Director	47

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. 1,848 million (2015: Tzs. 1,794 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. 56 million (2015: Tzs. 63 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 124.78 million equivalent to Tzs. 77.24 million (2015: USh 72.99 million equivalent to Tzs. 46 million) has been transferred to a contingency reserve account in accordance with Section 47(2) of the Uganda Insurance Act, Cap. 213.

DIRECTORS' REPORT (CONTINUED)

8. CORPORATE GOVERNANCE

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

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

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

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

9. RELATED PARTY TRANSACTIONS

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

10. SOLVENCY

The directors consider the company's solvency position as shown on the statement of financial position set out on page 11 of these financial statements to be very satisfactory. The company's solvency margin at 31 December 2016 exceeded the minimum required by The Insurance Act 2009, by Tzs 7,912 million (2015: Tzs 9,520 million).

11. EMPLOYEE WELFARE

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

12. AUDITORS

M/s. Tanna Sreekumar Grant Thornton has been appointed as auditors of the Group for the financial year 2016 and they have expressed their willingness to continue in office and are eligible for re-appointment.

By Order of the Board,

....

Yogesh Manek
Director
Date: March 28, 2017

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

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

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and the Group as at 31 December 2016 and of its operating results for the year then ended. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the financial statements, as well as adequate systems of internal control.

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

The directors have reviewed the Company's cash flow forecast for the year to 31 December 2017 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

Approved by the Board of Directors on March 28, 2017 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, Sunil. T.K 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 2016 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: Sunil. T.K.

Position: Finance Controller

NBAA membership no.: TACPA 2408

Date: 28/03/2017

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Analysis ◇ Retirement ◇ Compensation ◇ Health **28 March 2017, Cape Town**

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

REPORT OF THE CONSULTING ACTUARY

ACTUARIAL VALUATION AS AT 31 DECEMBER 2016

I have conducted an actuarial valuation of the life assurance business of Alliance Insurance Corporation Limited as at 31 December 2016.

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 2016.

Nicolette Patchett
Fellow of the Faculty of Actuaries
Fellow of the Actuarial Society of South Africa
On behalf of ARCH Actuarial Consulting
28 March 2017

Tanna Sreekumar Grant Thornton | An instinct for growth™

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AUDITORS' REPORT

TO THE MEMBERS OF ALLIANCE INSURANCE CORPORATION LIMITED

Opinion

We have audited the accompanying consolidated financial statements of Alliance Insurance Corporation Limited (the Company) and its subsidiaries (together, the Group which consist of M/s. Alliance Life Assurance Limited, M/s. Dar es Salaam Properties Limited and Alliance Africa General Insurance Limited), as set out on pages 11 to 52 which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2016 and of its total comprehensive income after tax of Tzs. 3,892 (millions) and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Tanzanian Companies Act 2002.

Basis for opinion

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

Other information

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

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

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

Responsibilities of the directors for the Financial Statements

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

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

Auditor's responsibility

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

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

Certified Public Accountants
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AUDITORS' REPORT (CONTINUED)

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

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

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

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

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

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

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

Report on other legal requirements

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

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

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

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

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

Dar es Salaam
Date: 28 MAR 2017

Alliance Insurance Corporation Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 31st December 2016
(All amounts in Tzs. 'millions' unless otherwise stated)

	Note	2016 TZS. Millions	2015 TZS. Millions
Gross earned premiums	1	75,028	67,950
Less: premiums ceded out to reinsurers	2	(35,913)	(35,122)
Net earned premiums		39,115	32,828
Rental income		252	337
Investment income	3	5,470	6,731
Commission earned	4	5,502	5,611
Other income	5	19	59
Net income		**50,358**	**45,566**
Claims and policy holders benefits payable	6	27,930	29,678
Less: amounts recoverable from reinsurers	6	(8,776)	(13,695)
Net claims payable		19,154	15,983
Operating and other expenses		12,664	11,452
Commission expenses	9	10,843	9,410
Total expenses		**42,661**	**36,845**
Profit before tax	7	7,697	8,721
Tax charge	10	(1,860)	(2,147)
Profit for the year		**5,837**	**6,574**
Profit for the year attributable to:			
Owners of the parent		5,336	6,300
Non-controlling interest		501	274
Profit for the year		**5,837**	**6,574**
Other comprehensive Income			
Fair value gain/(loss) on available-for-sale financial assets	36	(1,916)	(729)
Deferred tax credit/(charge) on fair value gain on available-for-sale financial assets	36	9	30
Depreciation charge on revaluation part of property	18	(54)	(54)
Reversal of deferred tax charge on gain on revaluation of property	36	16	16
Total other comprehensive (loss)/income		**(1,945)**	**(737)**
Total comprehensive income for the year		**3,892**	**5,837**
Total comprehensive income for the year			
Attributable to:			
Owners of the parent		3,391	5,563
Non-controlling interest		501	274
Total comprehensive income for the year		**3,892**	**5,837**
Dividend:			
Proposed and paid during the year - Interim	12	2,105	-
Proposed for the year - Final	12	-	-
Earning per share			
Basic (Tzs. in '000) - Restated	11	29.19	32.87

The significant accounting policies on pages 18 to 29 and the notes on pages 30 to 52 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 2016

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

	Note	2016 TZS. Millions	2015 TZS. Millions
Gross earned premiums	1	62,664	56,400
Less: premiums ceded out to reinsurers	2	(31,276)	(30,782)
Net earned premiums		31,388	25,618
Investment income	3	5,933	5,561
Commission earned	4	4,737	4,781
Other income	5	16	58
Net income		**42,074**	**36,018**
Claims and policy holders benefits payable	6	23,408	23,932
Less: amounts recoverable from reinsurers	6	(6,457)	(10,937)
Net claims payable		16,951	12,995
Operating and other expenses		8,777	7,956
Commission expenses	9	8,759	7,449
Total expenses		**34,487**	**28,400**
Profit before tax	7	7,587	7,618
Tax charge	10	(1,583)	(1,916)
Profit for the year		**6,004**	**5,702**
Other comprehensive Income			
Fair value gain/(loss) on available-for-sale financial assets	36	(1,886)	1,741
Depreciation charge on revaluation part of property	18	(22)	(22)
Reversal of deferred tax charge on gain on revaluation of property	36	7	7
Total other comprehensive income		**(1,901)**	**1,726**
Total comprehensive income for the year		**4,103**	**7,428**
Dividend:			
Proposed and paid during the year - Interim	12	2,105	-
Proposed for the year - Final	12	-	-
Earning per share			
Basic (Tzs. in '000) - Restated		30.02	28.51

The significant accounting policies on pages 18 to 29 and the notes on pages 30 to 52 form an integral part of these financial statements.

Report of the Auditors' - Pages 9 to 10

Alliance Insurance Corporation Limited
Consolidated statement of financial position
As at 31st December 2016

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

	Note	2016 TZS. Millions	2015 TZS. Millions
CAPITAL EMPLOYED			
Share capital	13	10,000	10,000
Capital reserve	14	1	1
Contingency reserve	14	8,699	6,722
Revaluation reserve	36	8,841	10,786
Retained earnings	16	5,388	7,505
Equity attributable to the owners of the parent		32,929	35,014
Non-controlling interest		1,901	1,777
Total equity		**34,830**	**36,791**
REPRESENTED BY			
Assets			
Property & equipment	18	5,217	4,762
Intangible assets	19	23	31
Investment in property		1,473	1,473
Financial assets	21	48,504	42,579
Reinsurance arrangement debtors		3,534	3,194
Receivables arising out of direct insurance arrangements	22	22,345	18,968
Reinsurers' share of insurance contract liabilities	23	24,702	26,759
Deferred acquisition costs	24	2,013	1,558
Other receivables	25	926	1,559
Cash and cash equivalents	26(a)	1,935	2,181
Branch preliminary expenses		137	683
Total assets		**110,809**	**103,747**
Liabilities			
Insurance contract liabilities	17	36,041	32,441
Provisions for unearned premium and unexpired risks	27	24,719	23,955
Reinsurance arrangement creditors		7,680	4,335
Deferred tax liabilities	20	324	816
Bank overdraft	26(b)	819	1,132
Tax payable		(89)	293
Other payables	28	6,485	3,984
Total liabilities		**75,979**	**66,956**
Total net assets		**34,830**	**36,791**

The financial statements on pages 11 to 52 were authorised and approved for issue by the board of directors on March 28, 2017 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 29 and the notes on pages 30 to 52 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 2016
(All amounts in Tzs. 'millions' unless otherwise stated)

	Note	2016 TZS. Millions	2015 TZS. Millions
CAPITAL EMPLOYED			
Share capital	13	10,000	10,000
Contingency reserve	14	8,257	6,409
Revaluation reserve	36	10,786	12,687
Retained earnings	16	3,742	4,849
Total equity		**32,785**	**33,945**
REPRESENTED BY			
Assets			
Property & equipment	18	2,845	2,227
Intangible assets	19	22	30
Investment in subsidiaries	29	7,914	6,461
Loan to subsidiary	32(c)	2,841	3,203
Financial assets	21	36,005	32,422
Reinsurance arrangement debtors		3,353	2,907
Receivables arising out of direct insurance arrangements	22	16,184	12,503
Reinsurers' share of insurance contract liabilities	23	22,182	24,580
Deferred acquisition costs	24	1,808	1,441
Other receivables	25	1,640	1,167
Cash and cash equivalents	26(a)	1,457	1,294
Branch preliminary expenses		137	683
Total assets		**96,388**	**88,918**
Liabilities			
Insurance contract liabilities	17	29,458	25,896
Provisions for unearned premium and unexpired risks	27	23,164	23,041
Reinsurance arrangement creditors		5,440	2,511
Bank overdraft	26(b)	250	586
Tax payable		326	666
Deferred tax liabilities	20	246	675
Other payables	28	4,719	1,598
Total liabilities		**63,603**	**54,973**
Total net assets		**32,785**	**33,945**

The financial statements on pages 11 to 52 were authorised and approved for issue by the board of directors on March 28, 2017 and signed on its behalf by:

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

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Report of the Auditors' - Pages 9 to 10

Alliance Insurance Corporation Limited
Consolidated statement of changes in equity
For the year ended 31st December 2016
(All amounts in Tzs. 'millions' unless otherwise stated)

	Note	Share capital TZS. Millions	Capital reserve TZS. Millions	Contingency reserve TZS. Millions	Revaluation reserve TZS. Millions	Retained earnings TZS. Millions	Proposed dividends TZS. Millions	Non controlling interests TZS. Millions	Total TZS. Millions
At 1 January 2015		8,000	1	4,819	11,523	6,182	-	1,522	**32,047**
Fair value gain/(loss)									
- on available for sale financial assets	36	-	-	-	(729)	-	-	-	**(729)**
Deferred tax credit/(charge) on									
-fair value gain on available for-sale financial assets	36	-	-	-	30	-	-	-	**30**
Dep. charge on revaluation part of property	18	-	-	-	(54)	-	-	-	**(54)**
Reversal of Deferred tax charge on gain on revaluation of property	36	-	-	-	16	-	-	-	**16**
Profit for the year		-	-	-	-	6,300	-	274	**6,574**
Issue of shares		2,000	-	-	-	-	-	-	**2,000**
Transfer to contingency reserve									
- general business	14	-	-	1,840	-	(1,840)	-	-	**-**
- long term business	14	-	-	63	-	(44)	-	(19)	**-**
Transfer to capital reserve		-	-	-	-	-	-	-	**-**
Dividends									
- final paid for 2014		-	-	-	-	(3,105)	-	-	**(3,105)**
Exchange loss on consolidation		-	-	-	-	12	-	-	**12**
At 31 December 2015		**10,000**	**1**	**6,722**	**10,786**	**7,505**	**-**	**1,777**	**36,791**
At 1 January 2016		10,000	1	6,722	10,786	7,505	-	1,777	**36,791**
Fair value gain/(loss)									
- on available for sale financial assets	36	-	-	-	(1,916)	-	-	-	**(1,916)**
Deferred tax credit/(charge) on									
-fair value gain on available for-sale financial assets	36	-	-	-	9	-	-	-	**9**
Dep. charge on revaluation part of property	18	-	-	-	(54)	-	-	-	**(54)**
Reversal of Deferred tax charge on gain on revaluation of property	36	-	-	-	16	-	-	-	**16**
Profit for the year		-	-	-	-	5,336	-	501	**5,837**
Issue of shares by subsidiary		-	-	-	-	-	-	390	**390**
Transfer to contingency reserve									
- general business	14	-	-	1,921	-	(1,921)	-	-	**-**
- long term business	14	-	-	56	-	(39)	-	(17)	**-**
Transfer to capital reserve		-	-	-	-	-	-	-	**-**
Dividends									
- final paid for 2015		-	-	-	-	(3,158)	-	-	**(3,158)**
- interim paid for 2016	12	-	-	-	-	(2,105)	-	-	**(2,105)**
Dividend paid by subsidiary		-	-	-	-	-	-	(750)	**(750)**
Exchange loss on consolidation		-	-	-	-	(230)	-	-	**(230)**
At 31 December 2016		**10,000**	**1**	**8,699**	**8,841**	**5,388**	**-**	**1,901**	**34,830**

The significant accounting policies on pages 18 to 29 and the notes on pages 30 to 52 form an integral part of these financial statements.

Report of the Auditors' - Pages 9 to 10

Alliance Insurance Corporation Limited
Company statement of changes in equity
For the year ended 31st December 2016
(All amounts in Tzs. 'millions' unless otherwise stated)

	Note	Share capital TZS. Millions	Contingency reserve TZS. Millions	Revaluation reserve TZS. Millions	Retained earnings TZS. Millions	Proposed dividends TZS. Millions	Total TZS. Millions
At 1 January 2015		8,000	4,615	10,961	4,046	-	**27,622**
Fair value gain							
- on available for sale financial assets	36	-	-	1,741	-	-	**1,741**
Dep. charge on revaluation part of property	18	-	-	(22)	-	-	**(22)**
Reversal of Deferred tax charge on gain on revaluation of property	20	-	-	7	-	-	**7**
Profit for the year		-	-	-	5,702	-	**5,702**
Issue of shares		2,000	-	-	-	-	**2,000**
Transfer to contingency reserve							
- general business	14	-	1,794	-	(1,794)	-	-
- long term business	14	-	-	-	-	-	-
Dividends							
- final paid for 2014		-	-	-	(3,105)	-	**(3,105)**
At 31 December 2015		**10,000**	**6,409**	**12,687**	**4,849**	-	**33,945**
At 1 January 2016		10,000	6,409	12,687	4,849	-	**33,945**
Fair value gain/(loss)							
- on available for sale financial assets	36	-	-	(1,886)	-	-	**(1,886)**
Dep. charge on revaluation part of property	18	-	-	(22)	-	-	**(22)**
Reversal of Deferred tax charge on gain on revaluation of property	20	-	-	7	-	-	**7**
Profit for the year		-	-	-	6,004	-	**6,004**
Transfer to contingency reserve							
- general business	14	-	1,848	-	(1,848)	-	-
- long term business	14	-	-	-	-	-	-
Dividends							
- final paid for 2015		-	-	-	(3,158)	-	**(3,158)**
- interim paid for 2016	12	-	-	-	(2,105)	-	**(2,105)**
At 31 December 2016		**10,000**	**8,257**	**10,786**	**3,742**	-	**32,785**

The significant accounting policies on pages 18 to 29 and the notes on pages 30 to 52 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 2016 TZS. Millions	Group 2015 TZS. Millions	Company 2016 TZS. Millions	Company 2015 TZS. Millions
Operating activities					
Cash generated from/(used in) operations	31	11,432	3,919	9,115	1,663
Tax paid		(2,708)	(1,561)	(2,345)	(1,222)
Net cash generated from/(used in) operations		**8,724**	**2,358**	**6,770**	**441**
Investing activities					
Purchase of property & equipment	18	(981)	(276)	(928)	(170)
Purchase of intangible assets	19	-	(38)	-	(37)
Purchase of financial assets	21	(29,473)	(21,593)	(19,039)	(14,885)
Purchase of shares in subsidiary	29	-	-	(1,454)	(81)
Proceeds from disposal of financial assets	21	23,273	16,437	14,632	11,689
Proceeds from disposal of property & equipment		2	11	2	9
Proceeds from disposal of quoted shares		647	652	645	652
Interest received		2,407	1,863	1,828	1,294
Dividend received		425	515	2,175	515
Net cash generated from/(used in) investing activities		**(3,700)**	**(2,429)**	**(2,139)**	**(1,014)**
Financing activities					
Proceeds from issue of shares	13	-	2,000	-	2,000
Proceeds from issue of shares in subsidiary company		390	-	-	-
Dividend paid by subsidiary		(750)	-	-	-
Loan to subsidiary		-	-	362	(987)
Dividend paid - ordinary shareholders	12	(5,263)	(3,105)	(5,263)	(3,105)
Branch preliminary expenses		546	(465)	546	(465)
Net cash generated from/(used in) financing activities		**(5,077)**	**(1,570)**	**(4,355)**	**(2,557)**
Increase/(decrease) in cash and cash equivalents		**(53)**	**(1,641)**	**276**	**(3,130)**
Movement in cash and cash equivalents					
As at 1 January		1,049	(334)	708	1,020
Increase/(decrease) in cash and cash equivalents		(53)	(1,641)	276	(3,130)
Effect of exchange rates changes on cash and cash equivalents		350	3,012	223	2,818
Exchange loss on consolidation		(230)	12	-	-
As at 31 December	26(a)	**1,116**	**1,049**	**1,207**	**708**

The significant accounting policies on pages 18 to 29 and the notes on pages 30 to 52 form an integral part of these financial statements.

Report of the Auditors' - Pages 9 to 10

1. GENERAL INFORMATION

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

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

With a view to provide better services to customers, Alliance Life Assurance Limited was incorporated in year 2010, as a new subsidiary within the group, to exclusively transact life assurance business. The new company started commercial operations from 1 July 2010 and these consolidated financial statements include the results of this subsidiary for year ended 31 December 2016.

In year 2011, Alliance Insurance Corporation Limited became 99% shareholders of Dar-es-Salaam Properties Limited which was initially an associate with 45% of the shareholdings. Dar-es-Salaam Properties Limited was incorporated on 23 August 2010 as an associate and the company's principal activity is leasing out residential furnished apartments. These consolidated financial statements include the results of this subsidiary for the year ended 31 December 2016.

In year 2013, the company promoted and incorporated a new company, Alliance Africa General Insurance Limited ("foreign subsidiary") in Uganda with 99% shareholding for transacting general insurance business. The foreign subsidiary commenced operations from December 2014. These consolidated financial statements include the results for this new subsidiary for the year ended 31 December 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

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

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

All new and revised standards and interpretations that have become effective for the first time in the financial year beginning 1st January 2016 have been adopted by the company. None of them has had an effect on the company's financial statements:

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

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

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

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

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

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

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

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

• Amendments to IAS 1 titled Disclosure Initiative (issued in December 2014) – The amendments, applicable to annual periods beginning on or after 1 January 2016, clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

• IFRS 16 *Leases* (issued in January 2016) - The new standard, effective for annual periods beginning on or after 1 January 2019, introduces a new lessee accounting model, and will require a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee will be required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

• Amendments to IAS 7 titled Disclosure Initiative (issued in January 2016) – The amendments, applicable to annual periods beginning on or after 1 January 2017, require enhanced disclosure concerning changes in liabilities arising from financing activities.

• Amendments to IAS 32 titled Offsetting Financial Assets and Financial Liabilities (issued in December 2011) – The amendments, which are effective retrospectively, do not change the existing offsetting model for financial instruments but clarify the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

• Amendments to IAS 39 titled Novation of Derivatives and Continuation of Hedge Accounting (issued in June 2013) – The amendments permit the continuation of hedge accounting in a situation where the counterparty to a derivative designated as a hedging instrument is replaced by a new central counterparty (known as "novation of derivatives"), as a consequence of laws or regulations, if specific conditions are met. In the absence of such transactions, the amendments had no effect on the Group's consolidated financial statements.

The Directors have assessed the potential impact of the above and expect that they will not have a significant impact on the company's financial statements for 2016.

(b) Consolidation policy

(i) Investment in Subsidiaries

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

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

(b) Consolidation policy (continued)

(i) Investment in Subsidiaries (continued)

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

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

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

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

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

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

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

- Changes in ownership interests in subsidiaries without change of control

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

- Disposal of subsidiaries

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

(b) Consolidation policy (continued)

(ii) Investment in associates

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

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

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

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

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

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

(iii) Functional currency and translation of foreign currencies

Functional and presentation currency

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

Transactions and balances

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

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

(c) Critical accounting estimates and assumptions

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

(c) Critical accounting estimates and assumptions (continued)

(i) Provision for unearned premium

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

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

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

(d) Critical accounting judgments

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

(i) Government securities

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

(ii) Quoted and unquoted shares

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

(iii) Non-financial assets

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

(iv) Deferred acquisition costs

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

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

(e) Underwriting results

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

(e) Underwriting results (continued)

General insurance business

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

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

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

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

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

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

Life assurance business

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

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

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

(iv) **Long term liabilities**

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

(f) Commission received

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

(g) Liability adequacy test

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

(h) Salvage and subrogation reimbursements

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

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

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

(i) Reinsurance arrangements

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

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

(j) Translation of foreign currencies

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

(k) Property and equipment

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

(k) Property and equipment (continued)

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

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

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

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

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

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

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

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

(l) Intangible assets

Computer software

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

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

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

(m) Financial instruments

Financial assets

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

(m) Financial instruments (continued)

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

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

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

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

This category has two sub-categories:

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

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

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

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

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

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

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

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

(m) Financial instruments (continued)

Impairment of financial assets

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

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

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

Management classifies financial assets as follows:

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

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

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

Financial liabilities

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

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

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

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

Offsetting financial instruments

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

(n) Investment and dividend income

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

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

(o) Accounting for leases

A group entity as a lessee

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

A group entity as a lessor

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

Leased assets are recorded at historical cost less depreciation.

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

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

(p) Employee entitlements

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

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

(q) Taxation

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

Current tax

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

Deferred tax

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

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

(r) Cash and cash equivalents

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

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

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

(s) Retirement benefit obligations

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

(t) Share capital

Ordinary shares are classified as equity.

(u) Dividends

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

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

(v) Comparatives

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

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

1. Gross earned premiums

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

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

	Group	
	2016 Gross earned premium	**2015 Gross earned premium**
General insurance business		
Fire	15,500	15,465
Motor	32,003	25,683
Marine	4,955	4,780
Miscellaneous	11,169	14,670
Engineering	1,848	1,484
Comoros operations	1,174	980
Gross written premium	66,649	63,062
Less: Movement in unearned premium	(764)	(5,281)
Gross earned premium	**65,885**	**57,781**
Life assurance business		
Ordinary life	395	276
Group life	8,748	9,893
	9,143	**10,169**
Total	**75,028**	**67,950**

	Company	
	2016 Gross earned premium	**2015 Gross earned premium**
General insurance business		
Fire	14,887	15,038
Motor	30,427	25,099
Marine	4,608	4,552
Miscellaneous	10,292	14,062
Engineering	1,399	1,046
Comoros operations	1,174	980
Gross written premium	62,787	60,777
Less: Movement in unearned premium	(123)	(4,377)
Gross earned premium	**62,664**	**56,400**

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

2. Premiums ceded out to reinsurers

	Group	
	2016	**2015**
General insurance business	**Net Reinsurance premiums**	**Net Reinsurance premiums**
Fire	12,426	12,688
Motor	5,307	3,774
Marine	3,050	2,845
Miscellaneous	9,089	12,354
Engineering	1,049	707
Comoros operations	386	209
Gross ceded premium	31,307	32,577
Less: Movement in reinsurer's portion of unearned premium	1,094	(1,293)
Net reinsurance premium	32,401	31,284
Life assurance business		
Ordinary life	-	39
Group life	3,512	3,799
	3,512	3,838
Total	**35,913**	**35,122**

	Company	
	2016	**2015**
General insurance business	**Net Reinsurance premium**	**Net Reinsurance premium**
Fire	11,999	12,427
Motor	5,228	3,738
Marine	2,910	2,783
Miscellaneous	8,701	12,098
Engineering	755	492
Comoros operations	386	209
Gross ceded premium	29,979	31,747
Less: Movement in reinsurer's portion of unearned premium	1,297	(965)
Net reinsurance premium	**31,276**	**30,782**

3. Investment income

	2016 Group	**2015 Group**	**2016 Company**	**2015 Company**
Interest from government securities:				
- 'held-to-maturity'	2,498	1,151	2,283	993
Interests from fixed deposits				
- 'held-to-maturity'	1,630	1,626	465	738
Interest on loan to subsidiary	-	-	220	70
Dividends income:				
- 'available - from - sale'	425	515	2,175	515
Gain on disposal of shares	567	427	567	427
Net foreign exchange gains	350	3,012	223	2,818
	5,470	**6,731**	**5,933**	**5,561**

	2016 Group	2015 Group	2016 Company	2015 Company
4. Commission received				
Gross commissions received	5,548	5,677	4,737	4,781
Movement in deferred acquisition costs	(46)	(66)	-	-
	5,502	**5,611**	**4,737**	**4,781**
5. Other income				
Profit on disposal of property and equipment	1	7	1	7
Release of life fund	1	11	1	11
Others	17	41	14	40
	19	**59**	**16**	**58**

6. Claims and policyholders benefits payable

	Group			
General insurance business	**Gross**	**Reinsurance share**	**2016 Net**	**2015 Net**
Fire	4,066	(3,000)	1,066	1,000
Motor	11,747	(1,729)	10,018	8,030
Marine	1,255	(286)	969	825
Miscellaneous	2,845	(2,123)	722	412
Engineering	515	(412)	103	134
Comoros operations	120	(9)	111	103
	20,548	(7,559)	12,989	10,504
Change in liabilities				
Change in claims in IBNR Provision	623	163	786	578
Change in claims provisions	3,245	777	4,022	2,170
	3,868	940	4,808	2,748
Total general insurance business	24,416	(6,619)	17,797	13,252
Life assurance business				
Group life	3,514	(2,157)	1,357	2,731
Total	**27,930**	**(8,776)**	**19,154**	15,983

	Company			
General insurance business	**Gross**	**Reinsurance share**	**2016 Net**	**2015 Net**
Fire	4,059	(3,000)	1,059	1,000
Motor	11,280	(1,729)	9,551	7,956
Marine	1,222	(286)	936	814
Miscellaneous	2,646	(2,123)	523	408
Engineering	518	(412)	106	134
Comoros operations	120	(9)	111	103
	19,845	(7,559)	12,286	10,415
Change in liabilities				
Change in claims in IBNR Provision	583	184	767	432
Change in claims provisions	2,980	918	3,898	2,148
	3,563	1,102	4,665	2,580
Total general insurance business	23,408	(6,457)	16,951	12,995

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

6. Claims and policyholder benefits payable (continued)

	Company			
	Gross	Reinsurance share	2016 Net	2015 Net
Life assurance business				
Group life	-	-	-	-
Total	**23,408**	**(6,457)**	**16,951**	**12,995**

7. Profit before tax

	2016 Group	2015 Group	2016 Company	2015 Company
The following items have been charged in arriving at operating profit before tax:				
Staff costs (Note 8)	7,138	6,175	5,131	4,273
Auditors' remuneration	95	89	33	33
Depreciation on plant and equipment (Note 18)	470	416	288	221
Amortisation (Note 19)	8	8	8	8
Net foreign exchange loss/(gain)	(350)	(3,012)	(223)	(2,818)

8. Staff costs

Staff costs include the following:

Salaries and wages	5,566	4,902	4,008	3,441
Social security benefit costs	644	526	530	440
Other staff cost	928	747	593	392
	7,138	**6,175**	**5,131**	**4,273**

9. Commission expenses

Gross commission expenses	11,344	10,018	9,126	7,874
Movement in deferred acquisition costs	(501)	(608)	(367)	(425)
	10,843	**9,410**	**8,759**	**7,449**

10. Tax charge

Current income tax	2,218	1,823	1,896	1,581
Final withholding tax on dividend income	109	26	109	26
Deferred tax charge/(credit) (Note 20)	(467)	298	(422)	309
	1,860	**2,147**	**1,583**	**1,916**

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	7,697	8,721	7,587	7,618
Less: Profit from Long Term Business	(1)	(11)	(1)	(11)
Profit as restated for effective tax charge	7,696	8,710	7,586	7,607
Tax calculated at a tax rate of 30% (2015: 30%)	2,309	2,613	2,276	2,282
Tax effect of:				
- tax effect of income not subject to tax	(3,832)	(3,792)	(1,388)	(551)
- expenses not deductible for tax purposes	3,383	3,326	743	185
Tax charge	**1,860**	**2,147**	**1,631**	**1,916**

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.

	2016	2015
Profit for the year attributable to equity shareholders (Tzs millions)	5,837	6,574
Weighted average number of ordinary shares	200,000	200,000
Earnings per share- basic (in Tzs)	29,185	32,870

There were potentially no diluted shares outstanding as at 31 December 2016 and 31 December 2015.

12. Dividends

An interim dividend of Tzs. 2,105 million was declared and paid to the shareholders during the year (2015: nil).

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 2016.

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

The directors propose a final dividend of Tzs. 1,871 million for the year ended 31.12.2016 (2015: 3,158 million).

13. Share capital

	2016	2015
Authorised		
1,000,000 (2015: 1,000,000) ordinary shares of Tzs 50,000 each	50,000	50,000
Issued and fully paid		
200,000 (2015: 200,000) ordinary shares of Tzs 50,000 each	10,000	10,000

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

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

14. Statutory reserves

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

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

15. Revaluation reserves

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

16. Retained earnings

The retained earnings balance represents the amount available for dividend distribution to the shareholders of the company. The movements are shown on pages 15 and 16.

17. Insurance contract liabilities

	2016 Group	2015 Group	2016 Company	2015 Company
(i) Long term insurance contracts				
- actuarial value of long term liabilities	3,115	3,334	89	90
- claims reported and claims handling expenses	3,585	3,603	502	502
Total long term	6,700	6,937	591	592
(ii) Short term insurance contracts				
Non-life				
- claims reported and claims handling expenses	24,480	21,262	24,068	21,088
- claims incurred but not reported	4,861	4,242	4,799	4,216
Total non-life	29,341	25,504	28,867	25,304
Total	**36,041**	**32,441**	**29,458**	**25,896**

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 2016, there was no transfer made to the shareholders funds in the year 2016 (2015: 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**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**Total**
At end of Accident Year	29,327	9,400	9,098	4,776	8,498	13,318	11,973	86,390
One year later	29,441	10,632	7,864	6,741	9,208	13,536	-	77,422
Two years later	29,140	11,642	7,900	6,116	8,954	-	-	63,752
Three years later	27,905	11,879	7,421	5,954	-	-	-	53,159
Four years later	28,321	12,122	7,223	-	-	-	-	47,666
Five years later	28,093	12,102	-	-	-	-	-	40,195
Six years later	28,624	-	-	-	-	-	-	28,624
Current estimate of cumulative claims	**28,624**	**12,102**	**7,223**	**5,954**	**8,954**	**13,536**	**11,973**	**88,366**
Less: Cumulative payments to date	(27,420)	(10,569)	(6,638)	(5,500)	(6,615)	(7,627)	-	(64,369)
Liability in the statement of financial position	1,204	1,533	585	454	2,339	5,909	11,973	23,997
Liability in respect of prior years' IBNR	241	307	117	91	468	1,181	2,394	4,799
Total Gross Liability included in the statement of financial position	1,445	1,840	702	545	2,807	7,090	14,367	28,796
Comoros Operations	-	-	-	-	-	-	71	71
Total	1,445	1,840	702	545	2,807	7,090	14,438	28,867

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

17. Insurance contract liabilities (continued)

Short term insurance contracts (continued)

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

General insurance business	Gross	Reinsurance	2016 Net	2015 Net
Notified claims	21,088	11,236	9,852	7,704
IBNR	4,216	2,247	1,969	1,537
Total at beginning of Year	25,304	13,483	11,821	9,241
Cash paid for claims settled in year	(19,845)	(7,559)	(12,286)	(10,415)
Increase in liabilities:				
- arising from current year claims	25,625	7,071	18,554	13,993
- arising from prior year claims	(2,217)	(612)	(1,605)	(998)
Total at end of year	**28,867**	**12,383**	**16,484**	**11,821**
Notified claims	24,068	10,319	13,749	9,852
IBNR	4,799	2,064	2,735	1,969
Total at end of year	**28,867**	**12,383**	**16,484**	**11,821**

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 2015	5,343	139	168	346	391	141	57	336	6,921
Additions	-	-	-	129	77	25	-	45	276
Disposals/write off	-	-	-	(87)	-	-	-	-	(87)
At 31 December 2015	**5,343**	**139**	**168**	**388**	**468**	**166**	**57**	**381**	**7,110**
At 1 January 2016	5,343	139	168	388	468	166	57	381	7,110
Additions	-	-	-	237	599	54	-	91	981
Disposals/write off	-	-	-	-	-	(4)	-	(1)	(5)
At 31 December 2016	**5,343**	**139**	**168**	**625**	**1,067**	**216**	**57**	**471**	**8,086**
Depreciation									
At 1 January 2015	916	131	168	198	133	118	28	269	1,961
Charge for the year									
- on cost	227	5	-	64	59	15	7	39	416
- on revaluation	54	-	-	-	-	-	-	-	54
Disposals/write off	-	-	-	(83)	-	-	-	-	(83)
At 31 December 2015	**1,197**	**136**	**168**	**179**	**192**	**133**	**35**	**308**	**2,348**
At 1 January 2016	1,197	136	168	179	192	133	35	308	2,349
Charge for the year									
- on cost	227	-	-	101	51	21	7	63	470
- on revaluation	54	-	-	-	-	-	-	-	54
Disposals/write off	-	-	-	-	-	(4)	-	-	(4)
At 31 December 2016	**1,478**	**136**	**168**	**280**	**243**	**150**	**42**	**371**	**2,869**
Net book value									
At 31 December 2015	**4,146**	**3**	**-**	**209**	**276**	**33**	**22**	**73**	**4,762**
At 31 December 2016	**3,865**	**3**	**-**	**345**	**824**	**66**	**15**	**100**	**5,217**

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

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

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

18. Property and equipment (continued)

	Company						
	Buildings	Exim Tower Expenses	Motor Vehicles	Furniture and Fittings	Office Equipment	Computer Equipment	Total
Cost							
At 1 January 2015	2,477	168	199	213	103	249	3,409
Additions	-	-	106	10	22	32	170
Disposals/write off	-	-	(68)	-	-	-	(68)
At 31 December 2015	**2,477**	**168**	**237**	**223**	**125**	**281**	**3,511**
At 1 January 2016	2,477	168	237	223	125	281	3,511
Additions	-	-	214	599	46	69	928
Disposals/write off	-	-	-	-	-	(1)	(1)
At 31 December 2016	**2,477**	**168**	**451**	**822**	**171**	**349**	**4,438**
Depreciation							
At 1 January 2015	427	168	149	86	81	195	1,106
Charge for the year							
- on cost	115	-	36	22	14	34	221
- on revaluation	22	-	-	-	-	-	22
Disposals/write off	-	-	(66)	-	-	-	(66)
At 31 December 2015	**564**	**168**	**119**	**108**	**95**	**229**	**1,283**
At 1 January 2016	564	168	119	108	95	229	1,283
Charge for the year							
- on cost	115	-	73	26	19	55	288
- on revaluation	22	-	-	-	-	-	22
Disposals/write off	-	-	-	-	-	-	-
At 31 December 2016	**701**	**168**	**192**	**134**	**114**	**284**	**1,593**
Net book value							
At 31 December 2015	**1,913**	-	**118**	**115**	**30**	**52**	**2,227**
At 31 December 2016	**1,776**	-	**259**	**688**	**57**	**65**	**2,845**

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

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

	2016 Group	2015 Group	2016 Company	2015 Company
19. Intangible assets				
Softwares				
Cost				
At start of year	222	184	214	177
Additions	-	38	-	37
At the end of year	222	222	214	214
Depreciation				
At start of year	191	183	184	176
Charge for the year	8	8	8	8
At end of year	199	191	192	184
Net book value	**23**	**31**	**22**	**30**

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% (2015: 30%). The movement on the deferred tax account is as follows:

	2016 Group	2015 Group	2016 Company	2015 Company
At start of year	816	564	675	373
Income Statement (credit)/charge	(467)	298	(422)	309
Charge to equity (Revaluation Reserve)	(25)	(46)	(7)	(7)
At end of year	324	816	246	675

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 2016	**At start of year**	**Charge/ (Credit) to PLOCI**	**At end of year**
Deferred tax liabilities			
Excess capital allowances	386	39	425
Deferred acquisition	433	110	543
Unrealised exchange differences	779	(327)	452
	1,598	(178)	1,420
Deferred tax assets			
Provision for staff leave	(13)	-	(13)
Provisions for bad debts	(9)	(29)	(38)
Unrealised exchange differences	(32)	32	-
Tax losses carried forward	(173)	(75)	(248)
Other temporary difference	(555)	(242)	(797)
	(782)	(314)	(1,096)
Deferred tax liability/(asset)	816	(492)	324

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

20. Deferred tax (continued)

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

	2016 Group	2015 Group
Deferred tax asset	-	-
Deferred tax liability	324	816
Net deferred tax liability/(asset)	324	816

	Company		
Year ended 31 December 2016	**At start of year**	**Charge/ (Credit) to PLOCI**	**At end of year**
Deferred tax liabilities			
Excess capital allowances	265	41	306
Deferred acquisition	433	110	543
Unrealised exchange differences	581	(349)	232
	1,279	(198)	1,081
Deferred tax assets			
Provision for staff leave	(13)	-	(13)
Other temporary differences	(591)	(231)	(822)
	(604)	(231)	(835)
Net deferred tax liability/(asset)	675	(429)	246

21. Financial assets

	2016 Group	2015 Group	2016 Company	2015 Company
(i) Government securities – Held-to-maturity				
At start of year	10,056	7,098	8,696	5,887
Additions	8,495	4,695	7,711	3,897
Redemptions/Transfer	(4,492)	(2,065)	(3,875)	(1,380)
Accrued interest	1,071	328	1,018	292
At end of year	15,130	10,056	13,550	8,696

The maturity analysis of government securities is as follows:

	2016 Group	2015 Group	2016 Company	2015 Company
Treasury bills and bonds maturing:				
Maturing before 1 year	1,160	5,235	524	3,875
Maturing after 1 year but before 5 years	9,814	4,149	8,870	4,149
Maturing after 5 years	4,156	672	4,156	672
	15,130	10,056	13,550	8,696
(ii) Unquoted shares – Available-for-sale				
At start of year	1,611	888	1,611	888
Additions	-	-	-	-
Fair value gain/(loss) credited/(charged) to PLOCI	-	723	-	723
At end of year	1,611	1,611	1,611	1,611
(iii) Quoted share –Available-for-sale				
At start of year	11,851	13,200	11,218	12,489
Additions	912	328	911	306
Disposal	(80)	(225)	(78)	(225)
Fair value gain credited to PLOCI	(1,916)	(1,452)	(1,886)	(1,352)
At end of year	10,767	11,851	10,165	11,218

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

21. Financial assets (continued)

(iv) Fixed deposits – Held-to-maturity	2016 Group	2015 Group	2016 Company	2015 Company
At start of year	19,061	16,277	10,897	10,309
Additions	20,066	16,570	10,417	10,682
Redemptions	(18,781)	(14,372)	(10,757)	(10,309)
Accrued interest	650	586	122	215
At end of year	20,996	19,061	10,679	10,897
Total financial assets	**48,504**	**42,579**	**36,005**	**32,422**

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

	2016 Group	2015 Group	2016 Company	2015 Company
Tanzania Shillings	35,556	32,406	26,018	24,220
US Dollars	12,948	10,173	9,987	8,202
	48,504	**42,579**	**36,005**	**32,422**

22. Receivables arising out of direct insurance arrangements

	2016 Group	2015 Group	2016 Company	2015 Company
Gross receivables arising out of direct insurance arrangements	23,019	19,542	16,730	13,049
Less: provision for impairment	(674)	(574)	(546)	(546)
Net receivables arising out of direct insurance	22,345	18,968	16,184	12,503
Movement in provision for impairment				
At start of year	574	387	546	387
Additions	100	219	-	191
Written off	-	(32)	-	(32)
	674	574	546	546

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

23. Reinsurers' share of insurance contract liabilities

Reinsurers' share of:	2016 Group	2015 Group	2016 Company	2015 Company
- unearned premium	10,037	11,131	9,501	10,799
- reinsurance share of IBNR	2,088	2,251	2,064	2,247
- notified claims outstanding	12,577	13,377	10,617	11,534
	24,702	26,759	22,182	24,580

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

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

	2016 Group	2015 Group	2016 Company	2015 Company
24. Deferred acquisition costs				
At start of year	1,558	1,016	1,441	1,016
Net increase/(decrease)	455	542	367	425
At end of year	2,013	1,558	1,808	1,441
25. Other receivables				
Prepayments	386	537	315	439
Other advances	539	782	1,325	728
Vat recoverable	1	240	-	-
	926	1,559	1,640	1,167
26(a) Cash and cash equivalents				
Cash and bank balances	1,116	1,049	1,207	708

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

	2016 Group	2015 Group	2016 Company	2015 Company
Cash and bank balances	1,935	2,181	1,457	1,294
Bank overdraft (Note 26(b))	(819)	(1,132)	(250)	(586)
	1,116	1,049	1,207	708

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

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

	2016 Group	2015 Group	2016 Company	2015 Company
Tanzania Shillings	315	642	158	346
US Dollar	1,149	1,253	976	766
Comoros Francs	323	182	323	182
Uganda Shillings	148	104	-	-
	1,935	2,181	1,457	1,294

26(b) Borrowings

The borrowings is made up as follows:

	2016 Group	2015 Group	2016 Company	2015 Company
Current				
Bank overdraft	(819)	(1,132)	(250)	(586)
	(819)	(1,132)	(250)	(586)

27. Provisions for unearned premium and unexpired risks

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

	Group					
	2016			2015		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At start of year	23,955	(11,131)	12,824	18,674	(9,838)	8,836
Increase during the year (net)	764	1,094	1,858	5,281	(1,293)	3,988
At end of year	24,719	(10,037)	14,682	23,955	(11,131)	12,824

	Company					
	2016			2015		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At start of year	23,041	(10,798)	12,243	18,664	(9,833)	8,831
Increase during the year (net)	123	1,297	1,420	4,377	(965)	3,412
At end of year	23,164	(9,501)	13,663	23,041	(10,798)	12,243

	2016 Group	2015 Group	2016 Company	2015 Company
28. Other payables				
Accrued expenses	4,415	1,405	4,190	1,231
Stale and cancelled cheques	217	190	217	190
Withholding tax	221	156	221	80
Payables to related party (Note 32(b))	-	-	4	7
Other payables	1,632	2,233	87	90
	6,485	3,984	4,719	1,598

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

29. Investment in subsidiaries	Country of Incorporation	Holdings	Company 2016	Company 2015
Shares at fair value				
Alliance Life Assurance Limited	Tanzania	70.00%	4,600	3,690
Dar es Salaam Properties Limited	Tanzania	99.90%	82	82
Alliance Africa General Insurance Limited	Uganda	99.90%	3,232	2,689
			7,914	6,461

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 is USh 4 billion divided into 4,000 ordinary shares of USh 1,000,000 each. The company paid for 99% of its share by cash amounting to Tzs. 2,608 million for 3,998 ordinary shares at a price of Tzs. 652,000 (equivalent to USh 1,000,000) per share.

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

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

30. Contingent liabilities

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

The company is subject to solvency regulations in respect of its insurance and investment contracts, and had complied with those regulations as at 31 December 2016.

	2016 Group	2015 Group	2016 Company	2015 Company
31. Reconciliation of profit before tax to cash generated from operations:				
Profit before tax	7,697	8,721	7,587	7,618
Adjustments for:				
Profit on sale of fixed assets (Note 5)	(1)	(7)	(1)	(7)
Gain on sale of quoted shares (Note 3)	(567)	(427)	(567)	(427)
Net foreign exchange losses/(gains) (Note 7)	(350)	(3,012)	(223)	(2,818)
Interest income (Note 3)	(4,128)	(2,777)	(2,968)	(1,801)
Release of life fund (Note 5)	(1)	(11)	(1)	(11)
Depreciation and amortization (Note 18)	478	424	296	229
Dividend income (Note 3)	(425)	(515)	(2,175)	(515)
Changes in working capital:				
- Insurance contract and other payables	6,866	15,983	6,807	11,956
- Reinsurance arrangement creditors	3,345	660	2,929	(195)
- Insurance contracts and other receivables	(3,199)	(8,036)	(4,521)	(6,757)
- Reinsurance arrangement debtors	(340)	(585)	(446)	(307)
- Reinsurance share of insurance contract liabilities	2,057	(6,499)	2,398	(5,302)
Cash generated from/(used in) operations	**11,432**	**3,919**	**9,115**	**1,663**

32. Related party transactions and balances

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

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

(a) Transactions with related parties	2016 Group	2015 Group	2016 Company	2015 Company
Gross earned premium :				
Union Trust Investment Limited	12	8	12	8
MAC-UTI Properties Limited	60	28	60	28
The Heritage Insurance Company Tanzania Limited	615	438	615	438
Dar es Salaam Properties Limited	-	9	-	9
Alliance Life Assurance Limited	7	6	7	6
Net claims incurred				
Union Trust Investment Limited	1	-	1	-
MAC-UTI Properties Limited	-	-	-	-
The Heritage Insurance Company Tanzania Limited	155	50	155	50
Dar es Salaam Properties Limited	-	-	-	-
Service from related party				
MAC-UTI Properties Limited	692	370	299	57
Strategis Insurance (Tanzania) Limited	148	90	148	90
Dar es Salaam Properties Limited	229	236	229	236

	2016 Group	2015 Group	2016 Company	2015 Company
(b) Outstanding balances with related parties				
Receivables from related parties:				
Premiums receivable from related parties	48	31	48	31
Loss reserves in respect of other related parties	-	-	-	-
	48	31	48	31
Payables to related parties:				
Alliance Life Assurance Limited	-	-	4	7
	-	-	4	7
(c) Loan to subsidiary				
Dar es Salaam Properties Limited	-	-	2,841	3,203

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

	2016 Group	2015 Group	2016 Company	2015 Company
(d) Investment in equity				
Alliance Life Assurance Limited	-	-	4,600	3,690
Dar es Salaam Properties Limited	-	-	82	82
Alliance Africa General Insurance Limited	-	-	3,232	2,689
	-	-	7,914	6,461
(e) Directors' remuneration				
- Directors' fees	180	178	70	83
(f) Key management compensation				
Salaries	2,766	2,593	1,949	1,719
Social security benefit cost	277	210	195	172
	3,043	2,803	2,144	1,891

33. Disclosure of fair value of financial assets

(a) Fair values of financial assets

	Group			
	Level 1	**Level 2**	**Level 3**	**2016 Total**
Available for sale financial assets				
A. Quoted investments	10,767	-	-	10,767
B. Unquoted investments	-	-	1,611	1,611
	10,767	-	1,611	12,378

	Company			
Available for sale financial assets				
A. Quoted investments	10,165	-	-	10,165
B. Unquoted investments	-	-	1,611	1,611
	10,165	-	1,611	11,776

(b) Reconciliation of LEVEL 3 fair values - AFS	2016 Group	2015 Group	2016 Company	2015 Company
At start of year	1,611	888	1,611	888
Additions	-	-	-	-
Total gains/losses in:				
- other comprehensive income	-	723	-	723
At end of year	**1,611**	**1,611**	**1,611**	**1,611**

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

34. Risk management objectives and policies

(a) Insurance risk management

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

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

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

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

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

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

Sensitivity to Insurance risk

Change in assumptions and sensitivity analysis

General insurance

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

- Chain ladder
- Bench marking and
- Expected loss ratio

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

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

34. Risk management objectives and policies (continued)

General insurance (continued)

Impact on pre-tax profit	**2016 Group**	**2015 Group**	**2016 Company**	**2015 Company**
5 % increase in loss ratios				
Gross	(3,294)	(2,889)	(3,133)	(2,820)
Net	(1,674)	(1,325)	(1,569)	(1,281)
5% decrease in loss ratios				
Gross	3,294	2,889	3,133	2,820
Net	1,674	1,325	1,569	1,281
10% increase in expenses				
Gross	(1,266)	(1,145)	(878)	(796)
Net	(1,266)	(1,145)	(878)	(796)
Impact on equity				
5 % increase in loss ratios				
Gross	(2,306)	(2,022)	(2,193)	(1,974)
Net	(1,172)	(927)	(1,099)	(897)
5% decrease in loss ratios				
Gross	2,306	2,022	2,193	1,974
Net	1,172	927	1,099	897
10% increase in expenses				
Gross	(886)	(802)	(614)	(557)
Net	(886)	(802)	(614)	(557)

Life insurance

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

Impact on pre-tax profit	**2016 Group**	**2015 Group**	**2016 Company**	**2015 Company**
5% increase in mortality/morbidity				
Gross	(457)	(508)	-	-
Net	(282)	(317)	-	-
5% increase in longevity				
Gross	457	508	-	-
Net	282	317	-	-
10% increase in expenses				
Gross	(1,266)	(1,145)	-	-
Net	(1,266)	(1,145)	-	-

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

34. Risk management objectives and policies (continued)

Life insurance (continued)

Impact on equity	2016 Group	2015 Group	2016 Company	2015 Company
5% increase in mortality/morbidity				
Gross	(320)	(356)	-	-
Net	(197)	(222)	-	-
5% increase in longevity				
Gross	320	356	-	-
Net	197	222	-	-
10% increase in expenses				
Gross	(886)	(802)	-	-
Net	(886)	(802)	-	-

Concentration of insurance risk

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

General Insurance

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

	Group				
			2016		2015
Short term Business	Before Reinsurance Claims	Reinsurance Recoveries	Net Outstanding Claims	% percentage	Net Outstanding Claims
Fire	6,773	5,237	1,536	9.2%	1,450
Motor	13,955	2,310	11,645	69.4%	7,822
Marine	3,922	2,025	1,897	11.3%	1,478
Engineering	516	136	380	2.3%	136
Miscellaneous	4,104	2,858	1,246	7.4%	1,097
Comoros operations	71	-	71	0.4%	5
	29,341	12,566	16,775	100%	11,988

	Company				
			2016		2015
Short term Business	Before Reinsurance Claims	Reinsurance Recoveries	Net Outstanding Claims	% percentage	Net Outstanding Claims
Fire	6,752	5,228	1,524	9.2%	1,282
Motor	13,709	2,215	11,494	69.7%	7,822
Marine	3,875	2,007	1,868	11.3%	1,478
Engineering	491	127	364	2.2%	136
Miscellaneous	3,969	2,806	1,163	7.1%	1,097
Comoros operations	71	-	71	0.4%	5
	28,867	12,383	16,484	100%	11,820

34. Risk management objectives and policies (continued)

Concentration of insurance risk (continued)

Life insurance

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

	Group				
			2016		2015
Business	**Before Reinsurance Claims**	**Reinsurance Recoveries**	**Net Outstanding Claims**	**% percentage**	**Net Outstanding Claims**
Ordinary life	-	-	-	0	-
Group life	3,585	2,099	1,486	100%	1,490
	3,585	2,099	1,486	100%	1,490

	Company				
			2016		2015
Business	**Before Reinsurance Claims**	**Reinsurance Recoveries**	**Net Outstanding Claims**	**% percentage**	**Net Outstanding Claims**
Ordinary life	-	-	-	0	-
Group life	502	298	204	100%	204
	502	298	204	100%	204

(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 2016, 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. 153 m (2015: Tzs. 520 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.153 m (2015: Tzs. 520 m) lower.

34. Risk management objectives and policies (continued)

(b) Financial risk management (continued)

(i) Market Risk (continued)

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

Effect on post tax profit	**2016 Group**	**2015 Group**	**2016 Company**	**2015 Company**
Government securities increase	106	70	115	43
Deposits with banks increase	147	133	73	67
Net effect on post tax profit	253	203	188	110

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:

	2016 Group	**2015 Group**	**2016 Company**	**2015 Company**
Effect on the post tax profit				
- Decrease	(538)	(593)	(508)	(561)

(ii) Credit risk

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

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

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

	% held by a few counter parties			
Key area	**2016 Group**	**2015 Group**	**2016 Company**	**2015 Company**
- Government securities	100%	100%	100%	100%
- Receivables arising out of direct insurance arrangements	41%	38%	41%	38%
- Receivables arising out of reinsurance arrangements	30%	30%	30%	30%
- Cash and bank balances and deposits with banks	40%	40%	42%	40%

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

34. Risk management objectives and policies (continued)

(b) Financial risk management (continued)

(ii) Credit Risk (continued)

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

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

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

(iii) Liquidity risk

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

The table below summarises the maturity analysis of financial liabilities

	Group			
Year ended 31 December 2016	**0 to 1 month**	**1 to 3 months**	**3 to 12 months**	**Total**
Payables arising from reinsurance arrangements	4,722	1,870	1,088	7,680
Other payables	6,485	-	-	6,485
	11,207	1,870	1,088	14,165
Year ended 31 December 2015				
Payables arising from reinsurance arrangements	2,966	582	789	4,337
Other payables	3,984	-	-	3,984
	6,950	582	789	8,321
Year ended 31 December 2016	**Company**			
Payables arising from reinsurance arrangements	2,482	1,870	1,088	5,440
Other payables	4,719	-	-	4,719
	7,201	1,870	1,088	10,159
Year ended 31 December 2015				
Payables arising from reinsurance arrangements	1,142	582	789	2,513
Other payables	1,598	-	-	1,598
	2,740	582	789	4,111

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

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

35. Capital management

The company's objectives when managing capital are:

Externally imposed capital requirements

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

The Insurance Act,2009 requires the following:

- issued and fully paid up share capital must be Tzs 1,911,244,000 and
- a solvency margin (admitted assets less admitted liabilities) of 20% of Net Premium or One Thousand Two Million Eight Hundred and Thirteen Thousand Shillings, whichever is higher.

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

36. Movement in revaluation reserve

	2016 Group	2015 Group	2016 Company	2015 Company
Property and equipment - Buildings	563	601	199	214
Available-for-sale financial assets	8,277	10,184	10,587	12,473
Total revaluation reserve	8,840	10,785	10,786	12,687
Property and equipment- Buildings				
At start of year	601	639	214	229
Revaluation surplus/(charge) (net)	(54)	(54)	(22)	(22)
Deferred tax on (gain)/charge (net)	16	16	7	7
At end of year	563	601	199	214
Available for sale financial assets				
At start of year	10,184	10883	12,473	10732
Fair value gain/(charge)	(1,916)	(729)	(1,886)	1741
Deferred tax on (gain)/charge	9	30	-	-
At end of year	8,277	10,184	10,587	12,473

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

37. Country of incorporation

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

38. Events after the balance sheet date

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

39. Group Companies

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

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

40. Presentation Currency

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

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

Consolidated General insurance business revenue account 2016

	Fire Tzs.' Millions	Motor Tzs.' Millions	Marine Tzs.' Millions	Misc. Tzs.' Millions	Engineering Tzs.' Millions	Comoros Tzs.' Millions	Total 2016 Tzs.' Millions	Total 2015 Tzs.' Millions
Gross written Premium	15,500	32,003	4,955	11,169	1,848	1,174	66,649	63,062
Reinsurance premium ceded	(12,426)	(5,307)	(3,050)	(9,089)	(1,049)	(386)	(31,307)	(32,577)
Net written premium	**3,074**	**26,696**	**1,905**	**2,080**	**799**	**788**	**35,342**	**30,485**
Change in UPR	(132)	(1,632)	(83)	(33)	10	12	(1,858)	(3,988)
Net Earned Premium	**2,942**	**25,064**	**1,822**	**2,047**	**809**	**800**	**33,484**	**26,497**
Gross Claims paid	(4,066)	(11,747)	(1,255)	(2,845)	(515)	(120)	(20,548)	(17,104)
Change in gross claim	2,212	(5,731)	(428)	271	(127)	(65)	(3,868)	(7,117)
Less: Reinsurance recoverable	699	3,625	293	1,698	295	9	6,619	10,968
Incurred Claims	**(1,155)**	**(13,853)**	**(1,390)**	**(876)**	**(347)**	**(176)**	**(17,797)**	**(13,253)**
Commission income	2,297	848	239	1,397	273	51	5,105	4,978
Commission expense	(2,722)	(4,027)	(476)	(1,697)	(280)	(36)	(9,238)	(7,652)
Expenses of Management	(884)	(6,907)	(793)	(936)	(385)	(511)	(10,416)	(9,188)
Total Expenses	**(2,464)**	**(23,939)**	**(2,420)**	**(2,112)**	**(739)**	**(672)**	**(32,346)**	**(25,115)**
Underwriting (loss)/profit 2016	**478**	**1,125**	**(598)**	**(65)**	**70**	**128**	**1,138**	**1,382**
Underwriting (loss)/profit 2015	**324**	**919**	**37**	**(22)**	**(29)**	**153**	**1,382**	**1,831**
Loss ratio(net claims incurred/net earned premium)	**39%**	**55%**	**76%**	**43%**	**43%**	**22%**	**53%**	**50%**
Commission ratio(commission payable/ gross premium written)	**18%**	**13%**	**10%**	**15%**	**15%**	**3%**	**14%**	**12%**
Expense ratio(management expenses/gross written premium)	**6%**	**22%**	**16%**	**8%**	**21%**	**44%**	**16%**	**15%**

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

Consolidated life assurance business revenue account 2016

	Ordinary Life Business	Group Life Business	Total 2016	Total 2015
Gross earned premium	395	8,748	9,143	10,169
Reinsurance premium ceded	-	(3,512)	(3,512)	(3,838)
Net earned premium	395	5,236	5,631	6,331
Investment income	51	1,125	1,176	880
Other Income	17	383	400	645
Total Income	463	6,744	7,207	7,856
Policy holders' benefit:				
Life and health claims	162	3,582	3,744	3,367
Change in actuarial value of policyholder benefits	(10)	(220)	(230)	2,090
Less: amounts recoverable from reinsurers	-	(2,157)	(2,157)	(2,727)
Net claims and policyholder benefits payable	152	1,205	1,357	2,730
Operating and other expenses	97	2,146	2,243	2,208
Commissions expense	-	1,605	1,605	1,758
Total expenses	249	4,956	5,205	6,696
Net profit before tax – life business	214	1,788	2,002	1,160
Tax charge	(35)	(295)	(330)	(235)
Life business profit after tax	179	1,493	1,672	925
Policyholders				
- actuarial liabilities	212	2,903	3,115	3,333

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

Company General insurance business revenue account 2016

	Fire Tzs.' Millions	Motor Tzs.' Millions	Marine Tzs.' Millions	Misc. Tzs.' Millions	Engineering Tzs.' Millions	Comoros Tzs.' Millions	Total 2016 Tzs.' Millions	Total 2015 Tzs.' Millions
Gross written Premium	14,887	30,427	4,608	10,292	1,399	1,174	62,787	60,777
Reinsurance premium ceded	(11,999)	(5,228)	(2,910)	(8,701)	(755)	(386)	(29,979)	(31,747)
Net written premium	**2,888**	**25,199**	**1,698**	**1,591**	**644**	**788**	**32,808**	**29,030**
Change in UPR	(119)	(1,262)	(65)	25	(11)	12	(1,420)	(3,412)
Net Earned Premium	**2,769**	**23,937**	**1,633**	**1,616**	**633**	**800**	**31,388**	**25,618**
Gross Claims paid	(4,059)	(11,280)	(1,222)	(2,646)	(518)	(120)	(19,845)	(17,015)
Change in gross claim	2,035	(5,467)	(378)	414	(102)	(65)	(3,563)	(6,917)
Less: Reinsurance recoverable	722	3,524	274	1,643	285	9	6,457	10,936
Incurred Claims	**(1,302)**	**(13,223)**	**(1,326)**	**(589)**	**(335)**	**(176)**	**(16,951)**	**(12,996)**
Commission income	2,178	826	200	1,290	192	51	4,737	4,781
Commission expense	(2,646)	(3,832)	(433)	(1,588)	(224)	(36)	(8,759)	(7,449)
Expenses of Management	(597)	(6,282)	(618)	(581)	(188)	(511)	(8,777)	(7,956)
Total Expenses	**(2,367)**	**(22,511)**	**(2,177)**	**(1,468)**	**(555)**	**(672)**	**(29,750)**	**(23,620)**
Underwriting (loss)/profit 2016	**402**	**1,426**	**(544)**	**148**	**78**	**128**	**1,638**	**1,998**
Underwriting (loss)/profit 2015	**441**	**1,079**	**99**	**144**	**82**	**153**	**1,998**	**1,836**
Loss ratio(net claims incurred/net earned premium)	**47%**	**55%**	**81%**	**36%**	**53%**	**22%**	**54%**	**51%**
Commission ratio(commission payable/ gross premium written)	**18%**	**13%**	**9%**	**15%**	**16%**	**3%**	**14%**	**12%**
Expense ratio(management expenses/gross written premium)	**4%**	**21%**	**13%**	**6%**	**13%**	**44%**	**14%**	**13%**

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

Company life assurance business revenue account 2016

	Ordinary Life Business	Group Life Business	Total 2016	Total 2015
Gross earned premium	-	-	-	-
Reinsurance premium ceded	-	-	-	-
Net earned premium	-	-	-	-
Investment income	-	-	-	-
Other Income	-	1	1	11
Total Income	-	1	1	11
Policy holders' benefit:				
Life and health claims	-	-	-	-
Change in actuarial value of policyholder benefits	-	-	-	-
Less: amounts recoverable from reinsurers	-	-	-	-
Net claims and policyholder benefits payable	-	-	-	-
Operating and other expenses	-	-	-	-
Commissions expense	-	-	-	-
Total expenses	-	-	-	-
Net profit before tax – life business	-	1	1	11
Tax charge	-	-	-	-
Life business profit after tax	-	1	1	11
Policyholders				
- actuarial liabilities	-	89	89	90

Alliance Insurance Corporation Limited
Group companies' statement of profit or loss and other comprehensive income
For the year ended 31st December 2016
(All amounts in Tzs. 'millions' unless otherwise stated)

	Alliance Insurance Corporation Limited	Alliance Life Assurance Limited	Alliance Africa General Insurance Limited	Dar es Salaam Properties Limited	Inter company services	Total	Total
	2016 TZS. Millions	2016 TZS. Millions	2016 TZS. Millions	2016 TZS. Millions	2016 TZS. Millions	2016 TZS. Millions	2015 TZS. Millions
Gross earned premiums	62,664	9,143	3,221	-	-	75,028	67,950
Less: premiums ceded out to reinsurers	(31,276)	(3,512)	(1,125)	-	-	(35,913)	(35,122)
Net earned premiums	31,388	5,631	2,096	-	-	39,115	32,828
Rental income	-	-	-	544	(292)	252	337
Investment income	5,933	1,176	338	-	(1,977)	5,470	6,731
Commission earned	4,737	397	368	-	-	5,502	5,611
Other income	16	3	-	-	-	19	59
Net income	**42,074**	**7,207**	**2,802**	**544**	**(2,269)**	**50,358**	**45,566**
Claims and policy holders benefits payable	23,408	3,514	1,008	-	-	27,930	29,678
Less: amounts recoverable from reinsurers	(6,457)	(2,157)	(162)	-	-	(8,776)	(13,695)
Net claims payable	16,951	1,357	846	-	-	19,154	15,983
Operating and other expenses	8,777	2,244	1,639	523	(519)	12,664	11,452
Commission expenses	8,759	1,605	479	-	-	10,843	9,410
Total expenses	**34,487**	**5,206**	**2,964**	**523**	**(519)**	**42,661**	**36,845**
Profit before tax	7,587	2,001	(162)	21	(1,750)	7,697	8,721
Tax charge	(1,583)	(330)	63	(10)	-	(1,860)	(2,147)
Profit for the year	**6,004**	**1,671**	**(99)**	**11**	**(1,750)**	**5,837**	**6,574**
Other comprehensive Income							
Fair value gain/(loss) on							
- *available-for-sale financial assets*	(1,886)	(30)	-	-	-	(1,916)	(729)
Deferred tax credit/(charge) on fair value gain on							
- *available-for-sale financial assets*	-	9	-	-	-	9	30
Depreciation charge on							
- *revaluation part of property*	(22)	-	-	(32)	-	(54)	(54)
Reversal of deferred tax charge on						-	
- *gain on revaluation of property*	7	-	-	9	-	16	16
Total other comprehensive income	**(1,901)**	**(21)**	**-**	**(23)**	**-**	**(1,945)**	**(737)**
Total comprehensive income/(loss)	**4,103**	**1,650**	**(99)**	**(12)**	**(1,750)**	**3,892**	**5,837**